Utility Committee Meeting
February 27, 2026

Fuel Update

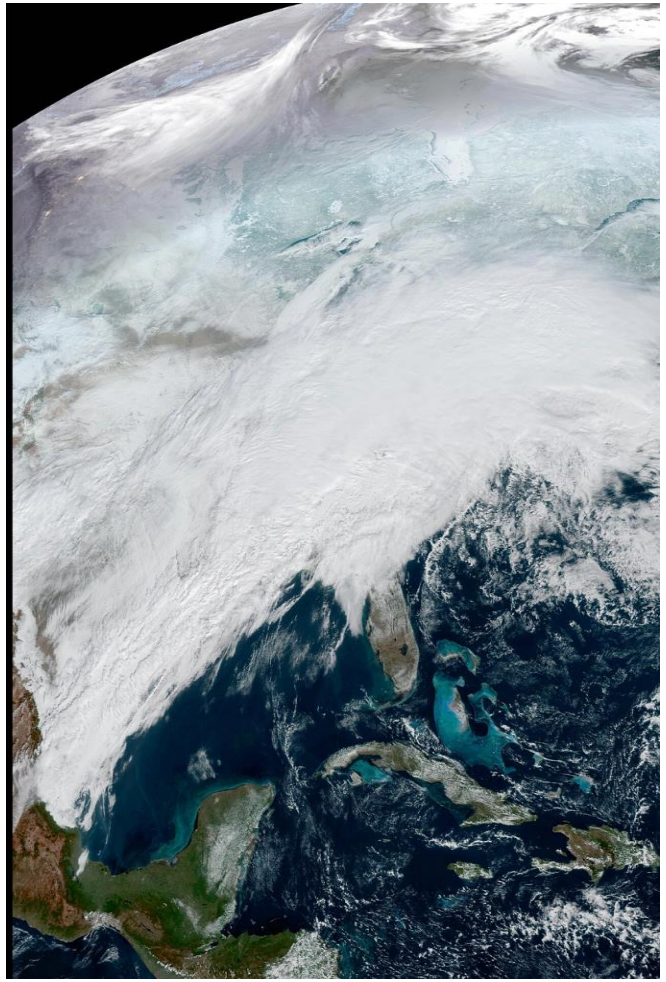
Sandra Ruede Fuel Manager

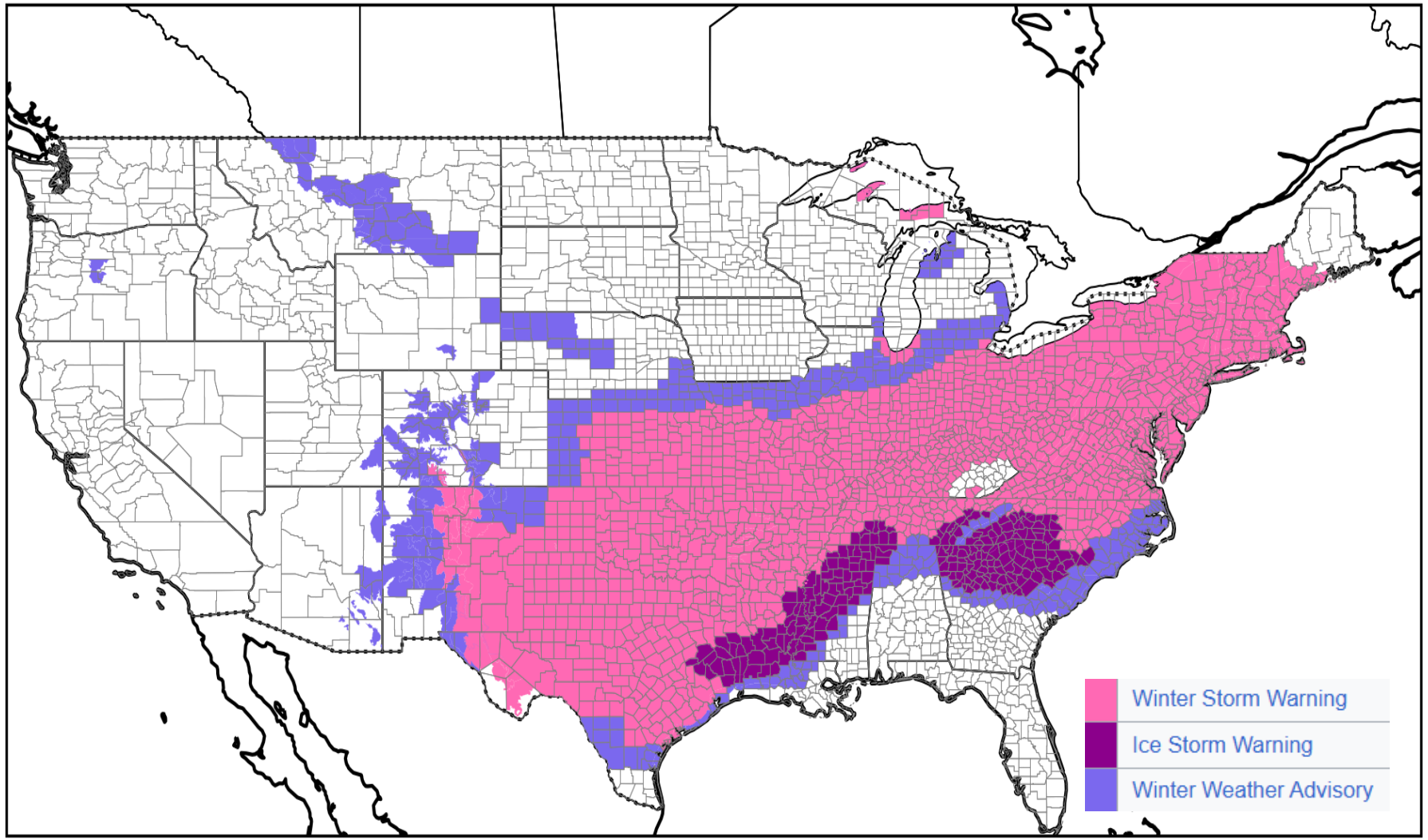
Market Outlook

- Winter Weather 2025-2026
  - Review of Recent Events
  - Expectation for Remainder of Winter
- NG Storage Positions
- LNG Facilities
- Forward Curve Prices & Basis Premiums
- Market Conditions to Monitor

LAKELAND ELECTRIC
POWERED FOR LIFE

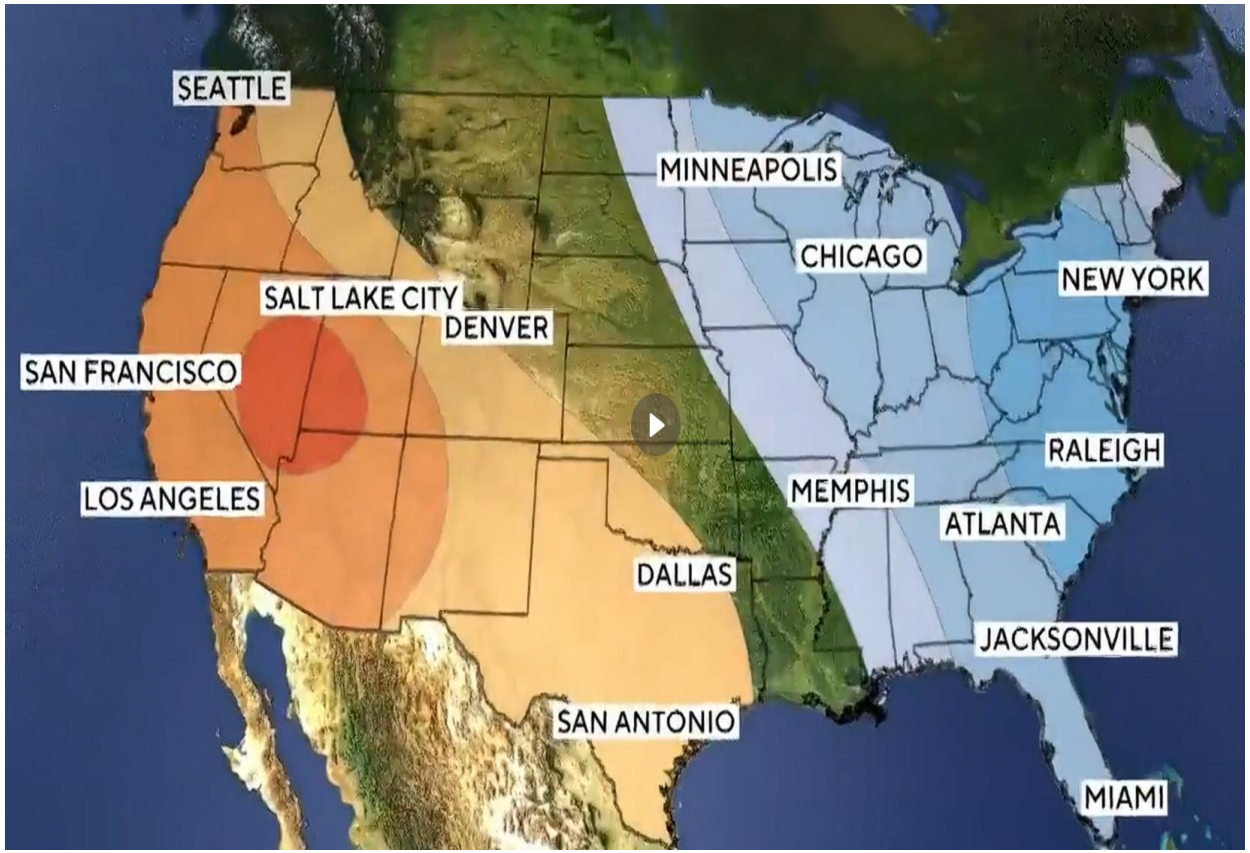
Weather Review – Actual (January 23-27)





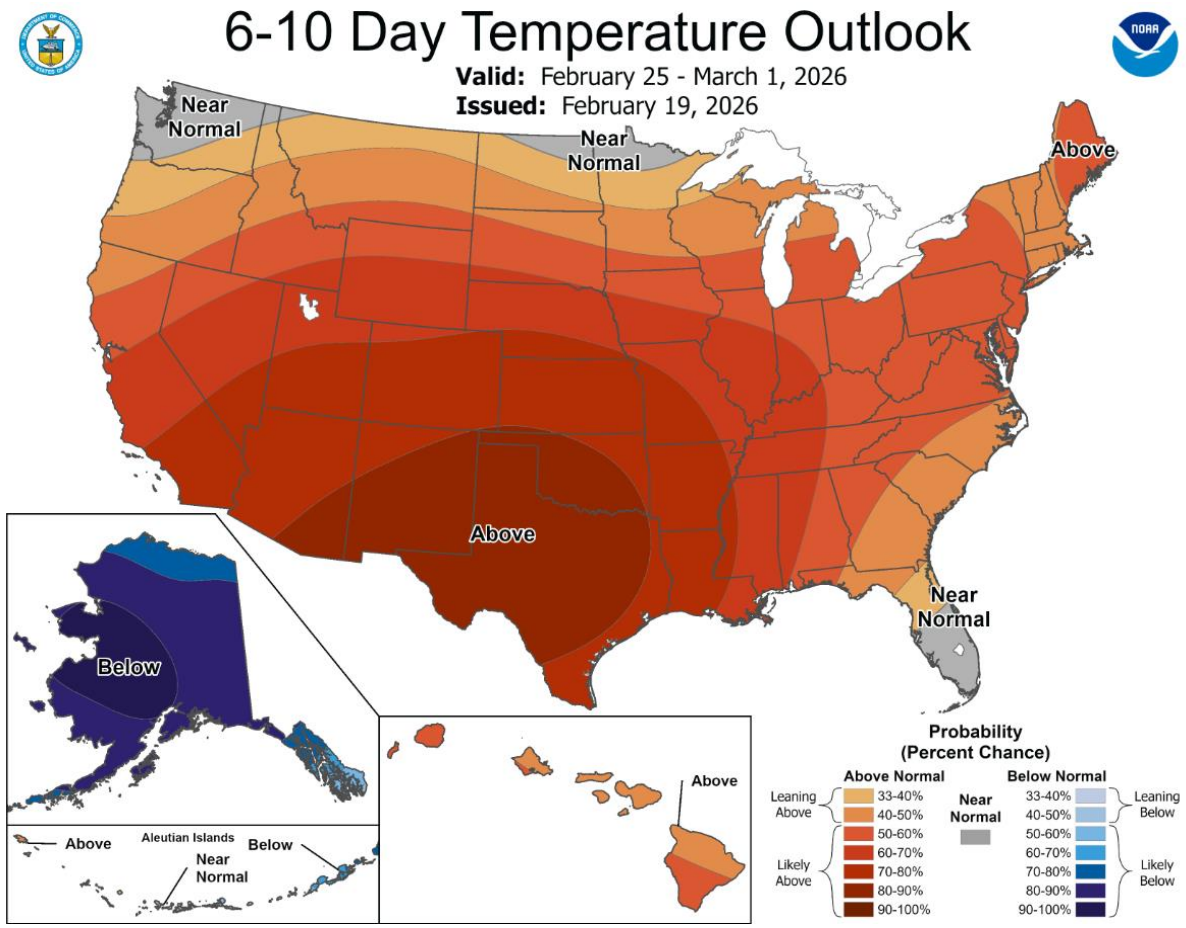
LAKELAND ELECTRIC
POWERED FOR LIFE

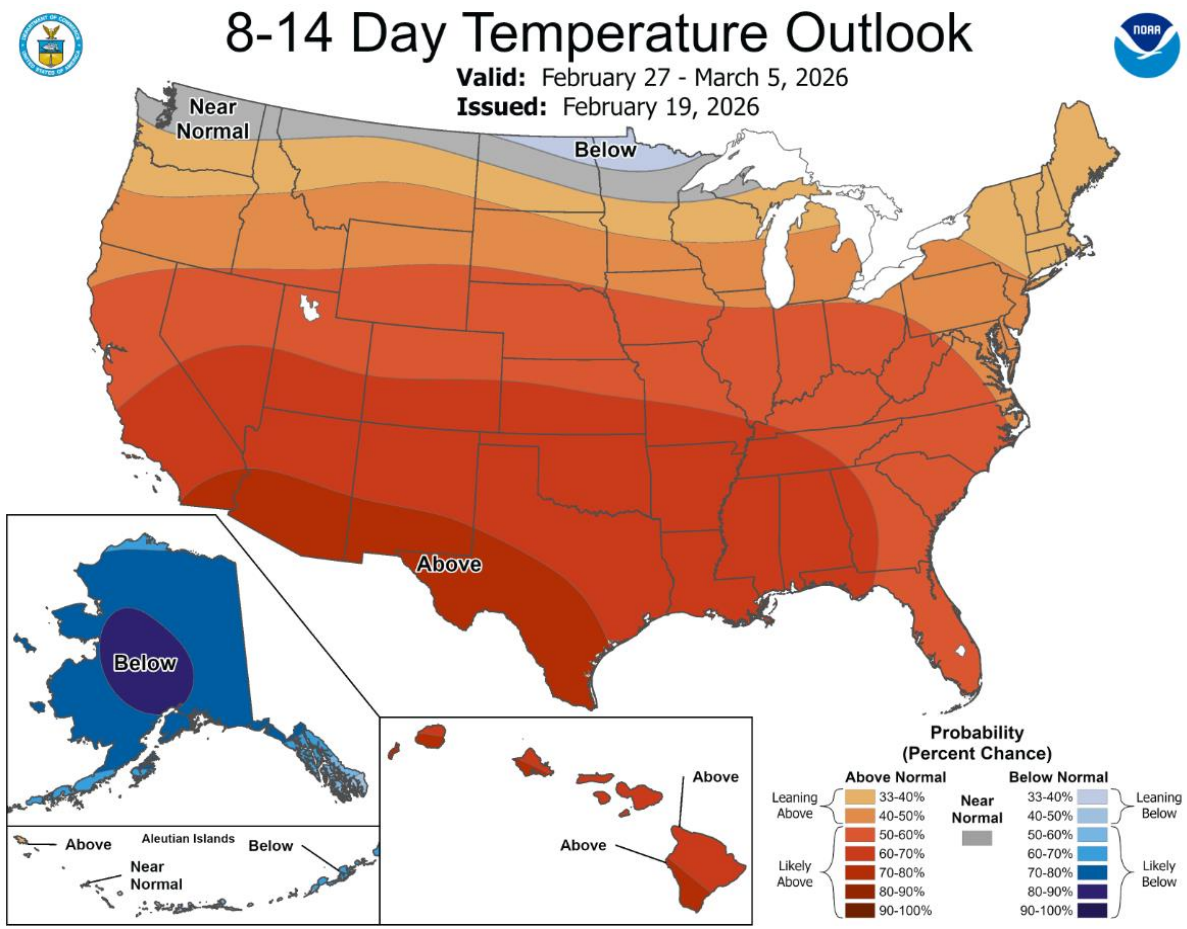
Weather Review – Actual (February 1-3)



LAKELAND ELECTRIC
POWERED FOR LIFE

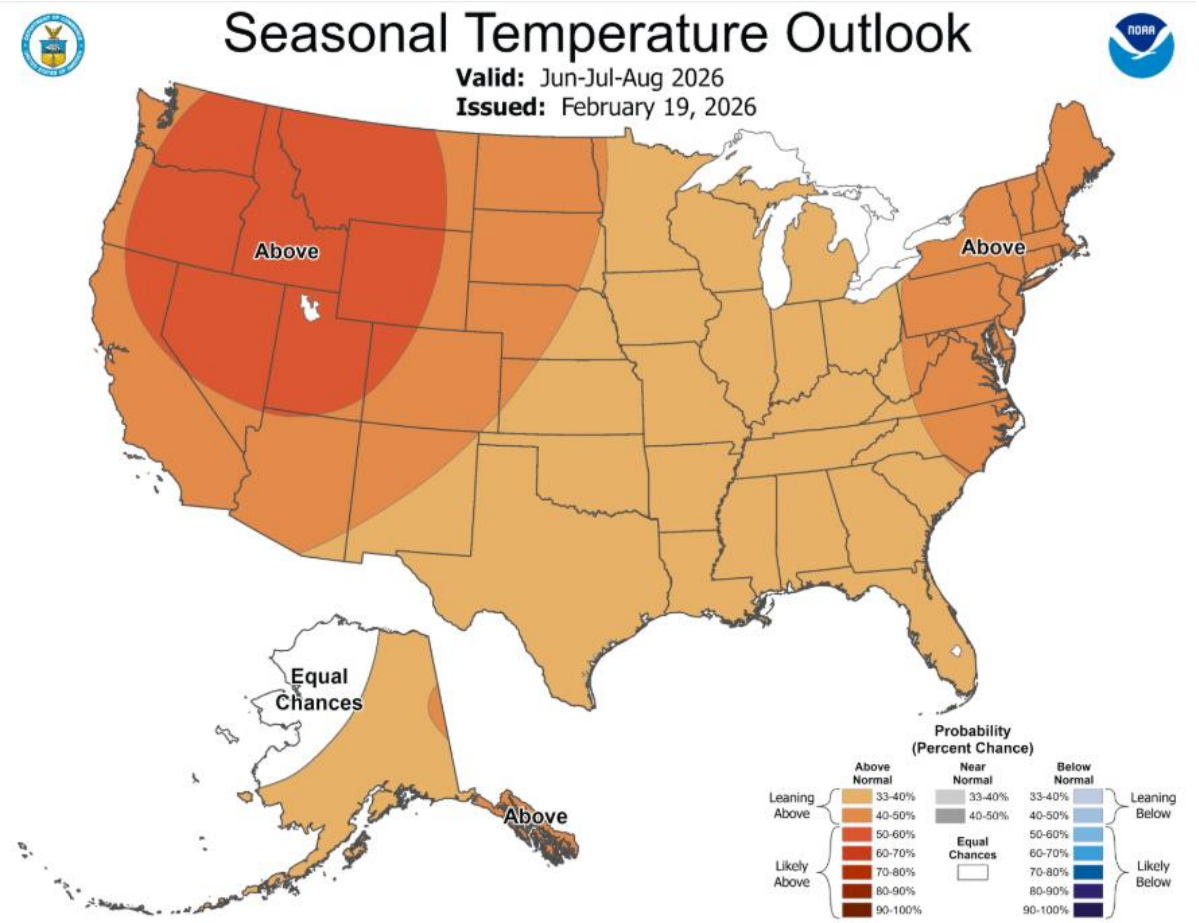
Weather outlook – Winter

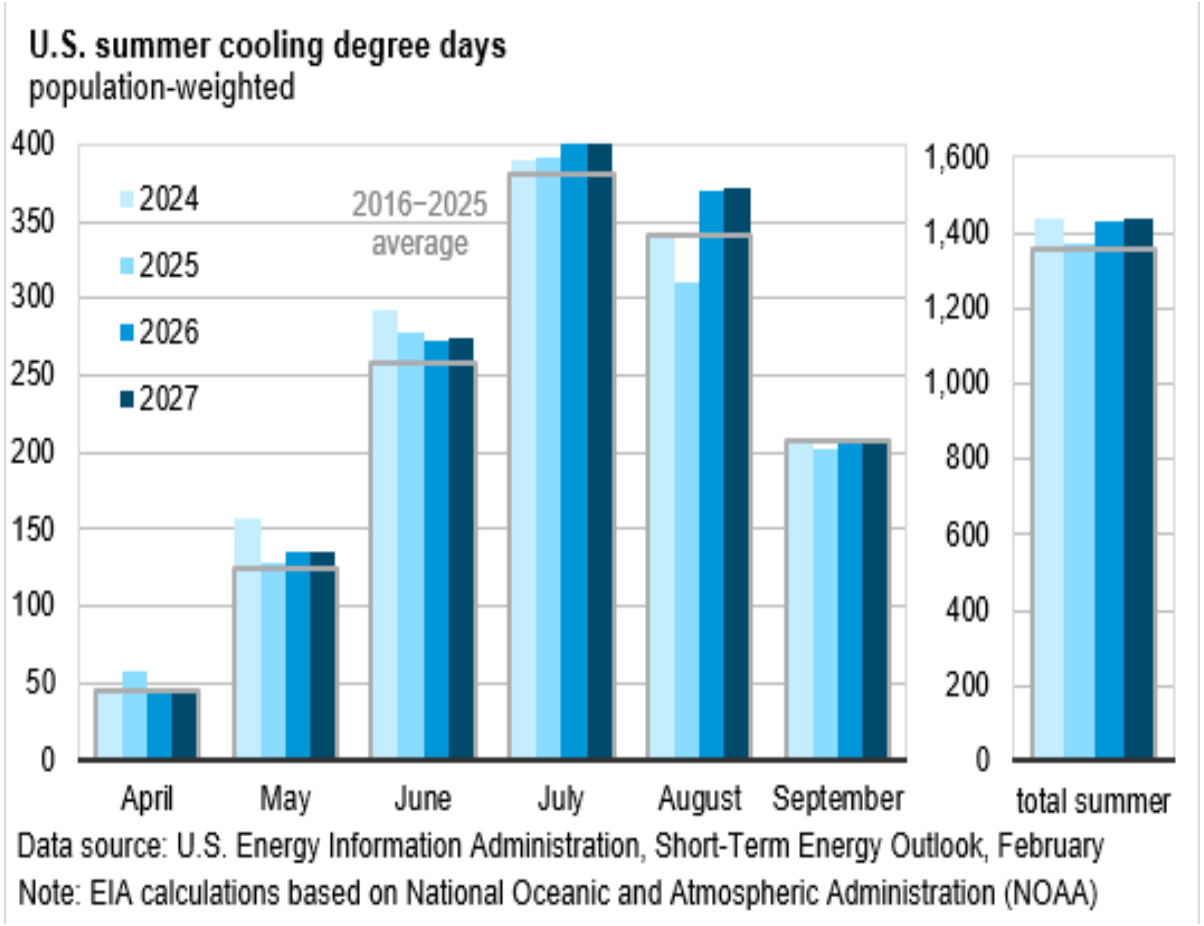




LAKELAND ELECTRIC
POWERED FOR LIFE

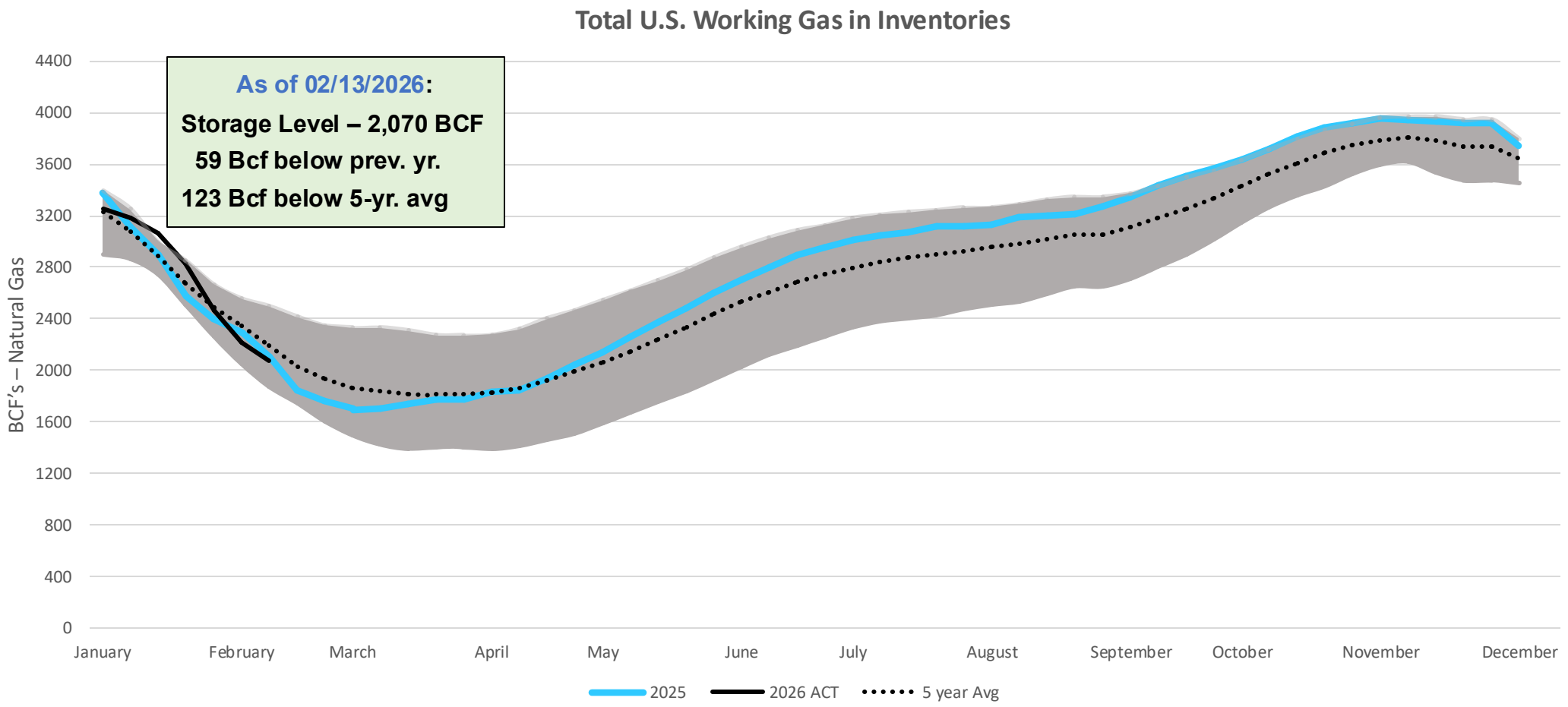
Weather outlook – Summer





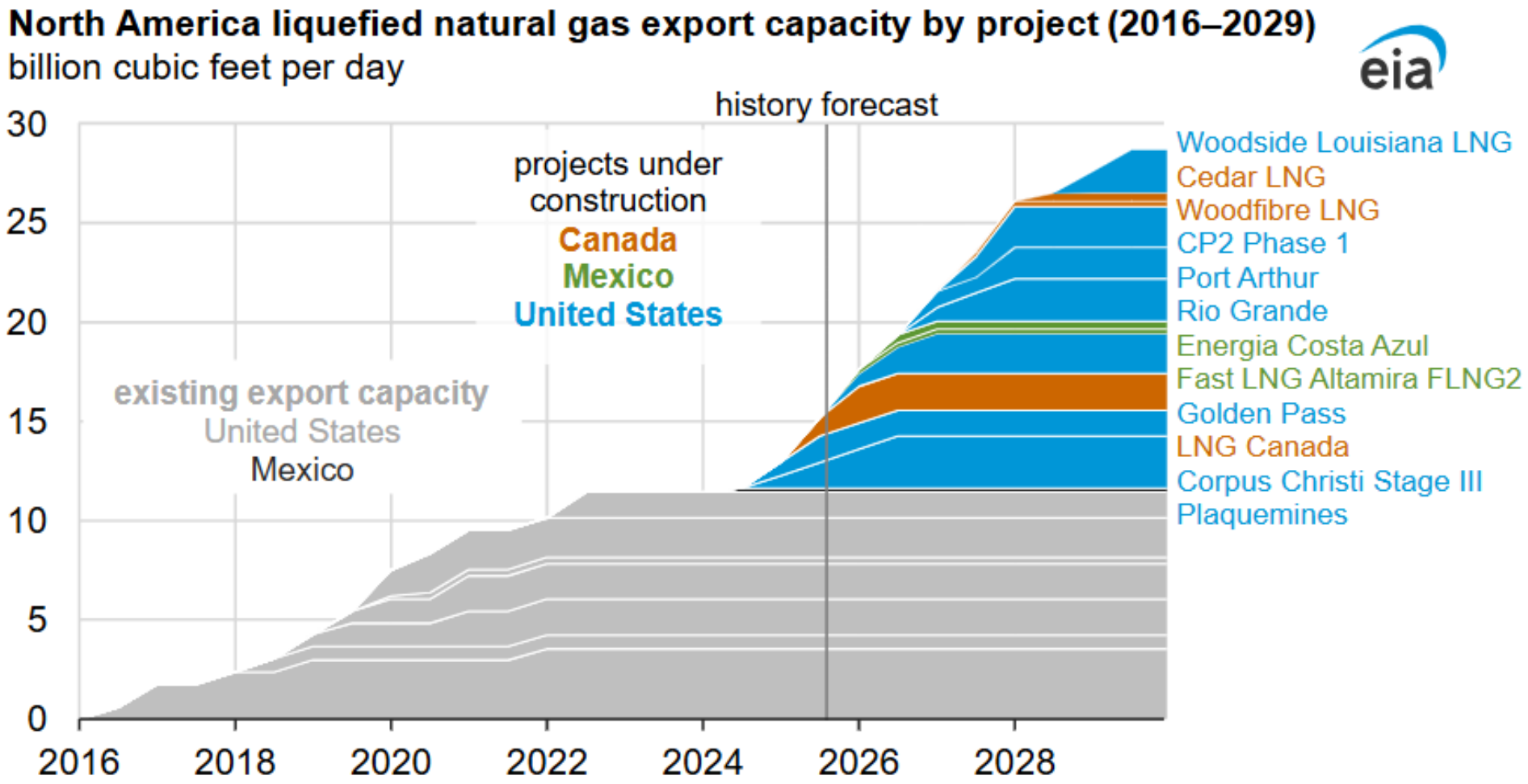
LAKELAND ELECTRIC
POWERED FOR LIFE

Storage Inventory



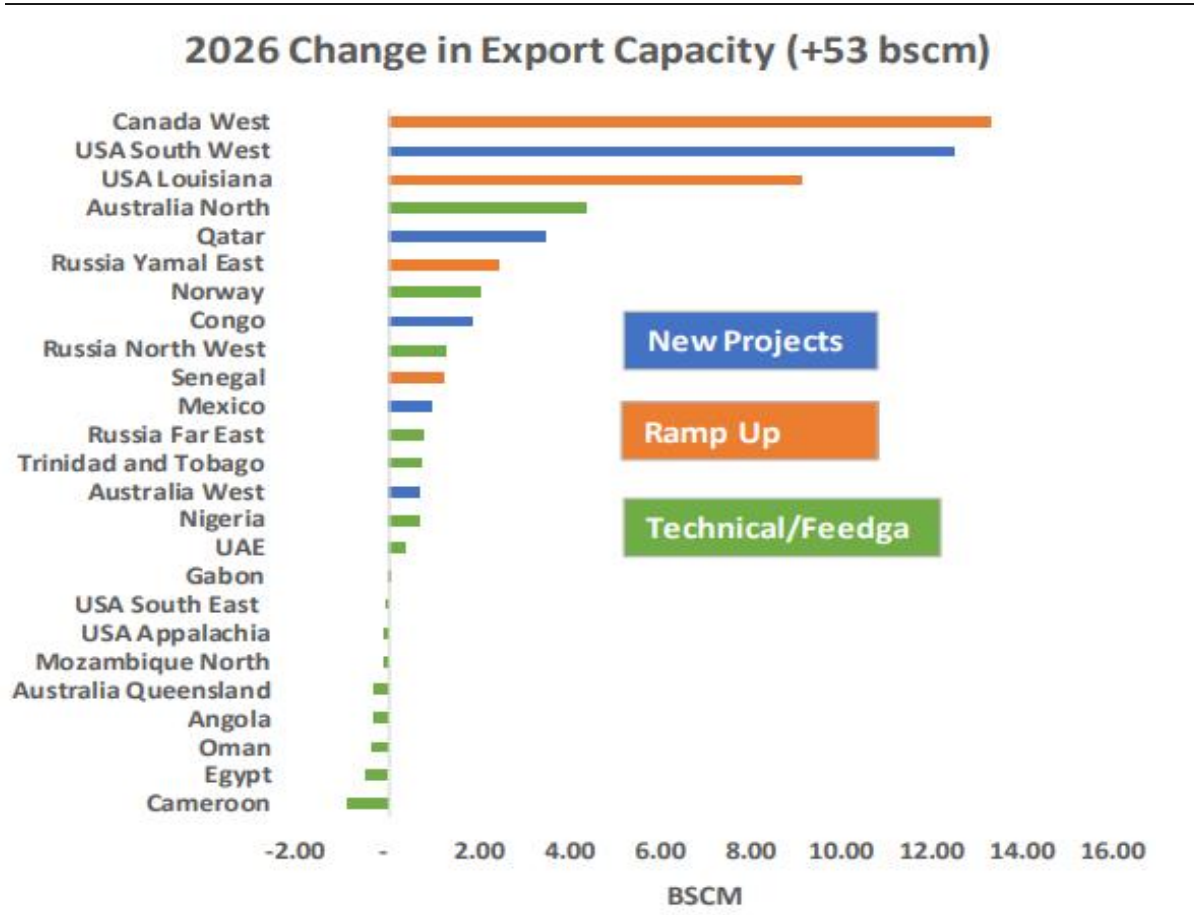
LAKELAND ELECTRIC
POWERED FOR LIFE

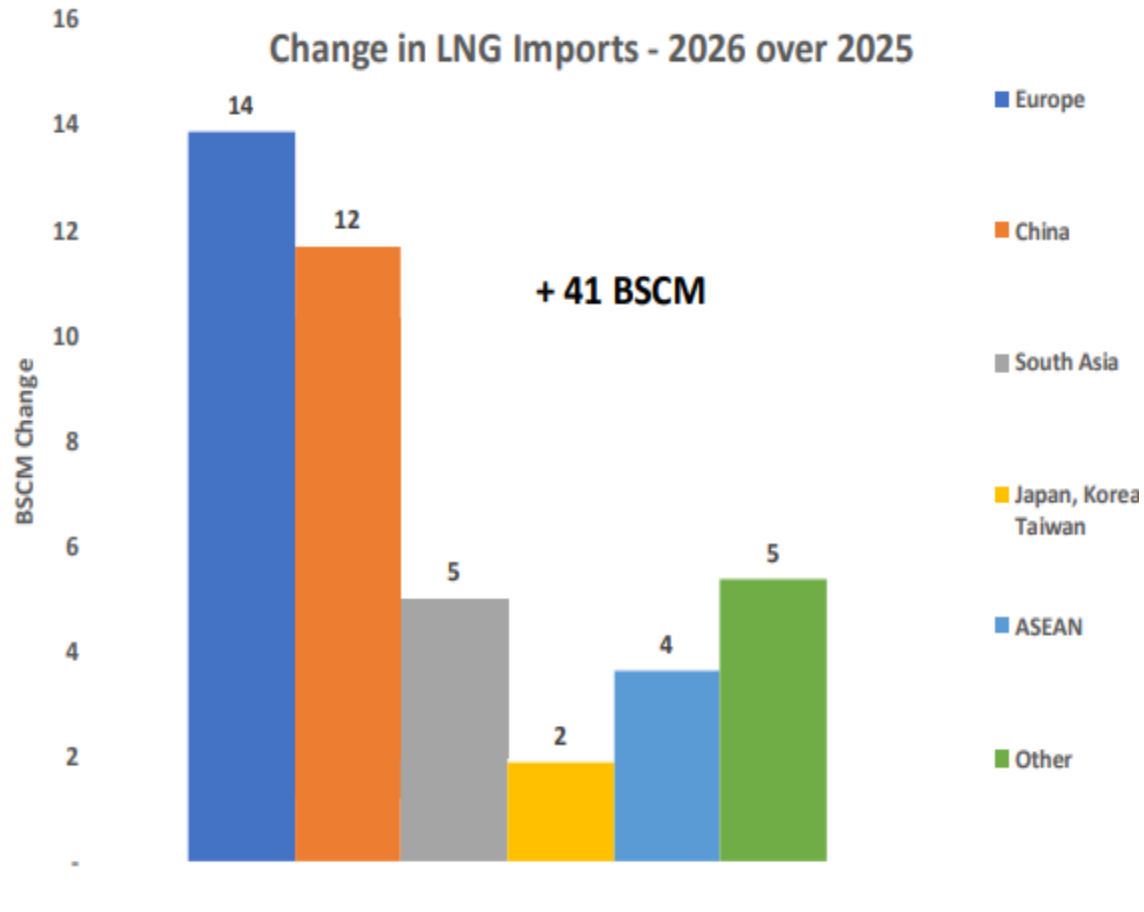
LNG Projects



LAKELAND ELECTRIC
POWERED FOR LIFE

2026 Changes in Export Capacity vs. Change in LNG Imports



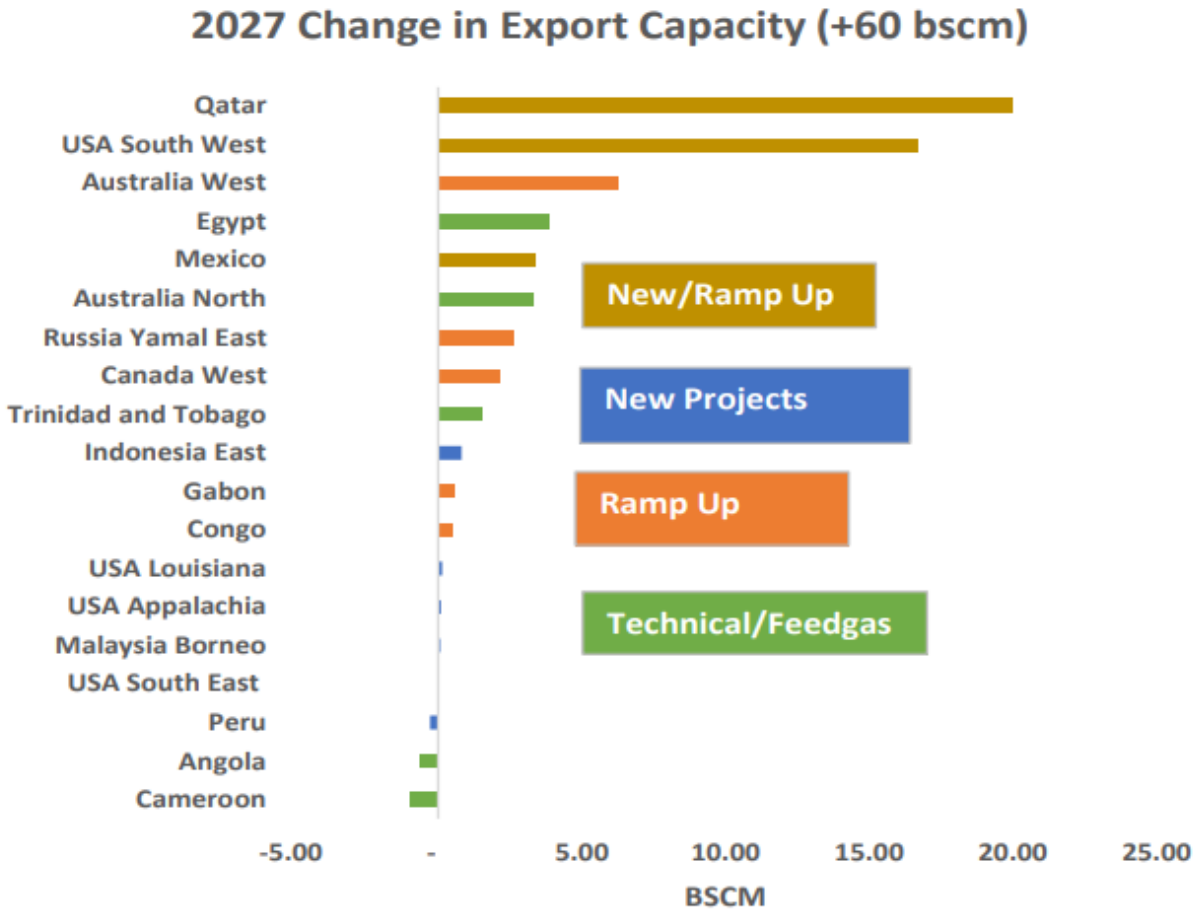


Bscm = billion standard cubic metres[4]
Source: FGENexantECA World Gas Model

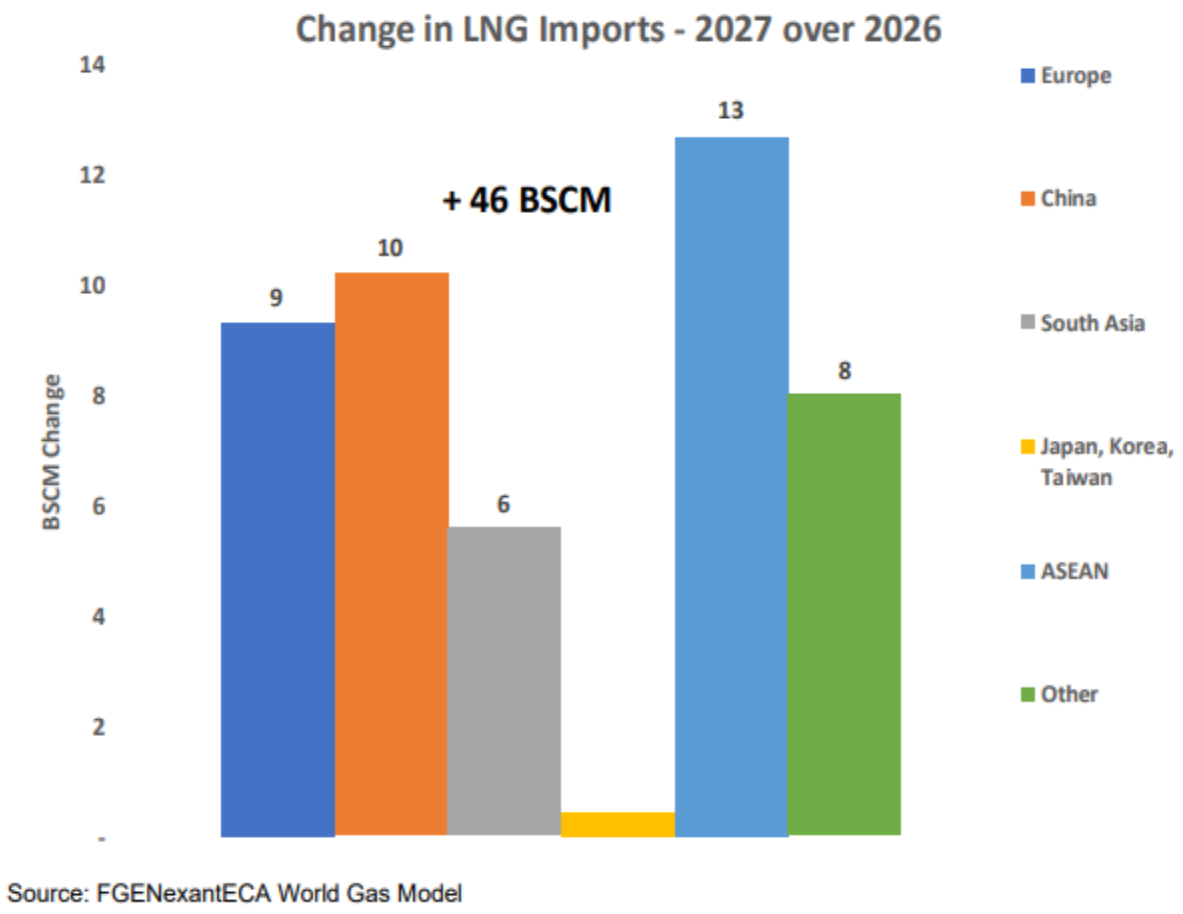
Source: FGENexantECA World Gas Model

LAKELAND ELECTRIC
POWERED FOR LIFE

2027 Changes in Export Capacity vs. Change in LNG Imports



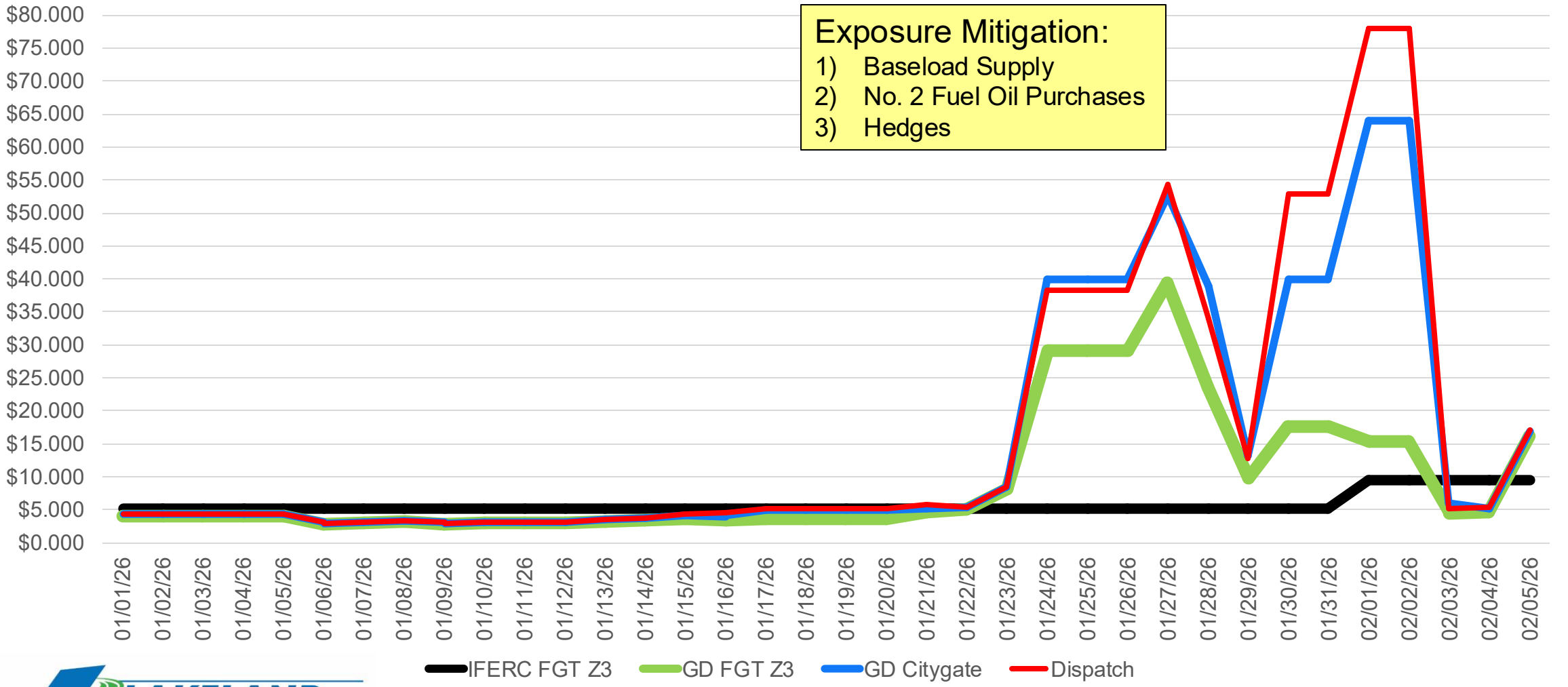
Source: FGENexantECA World Gas Model



Source: FGENexantECA World Gas Model

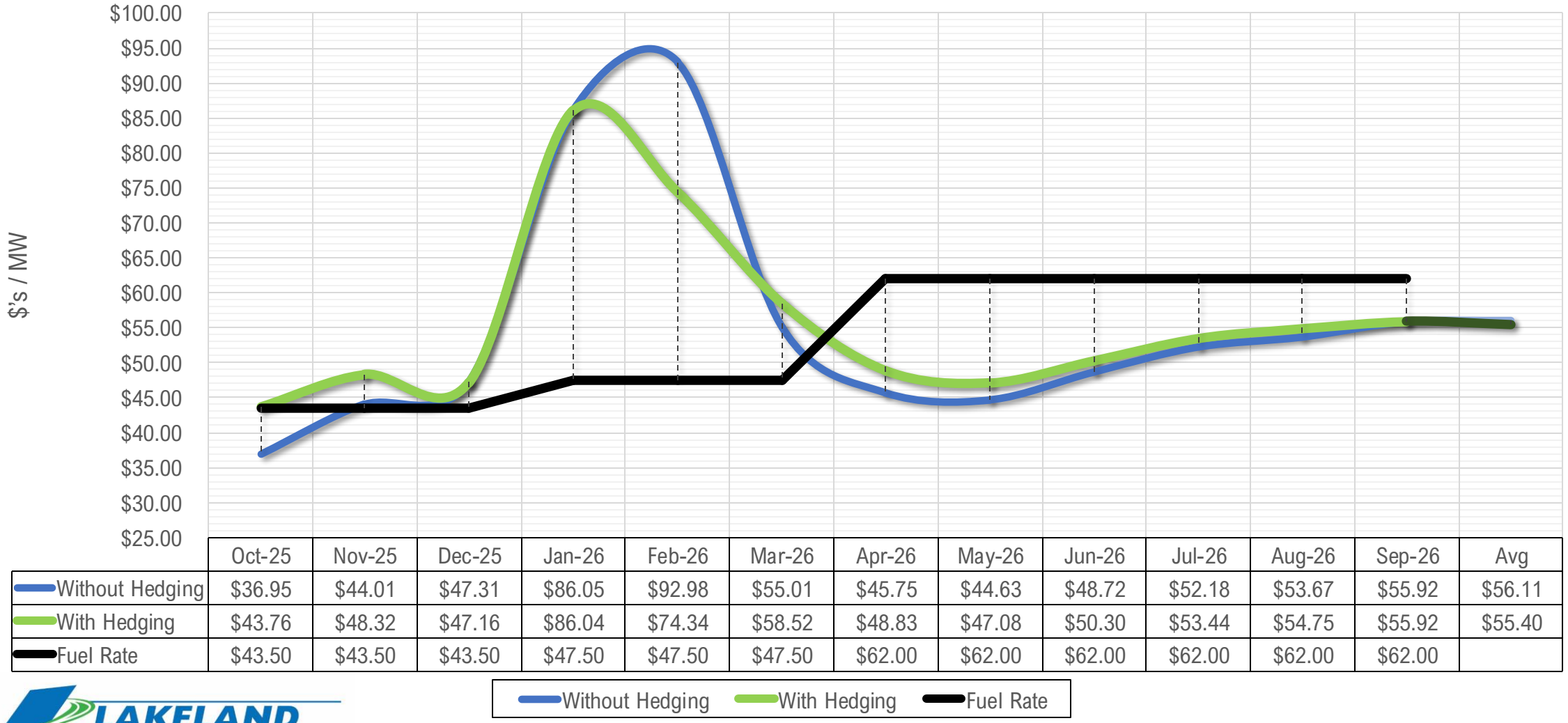
Daily Natural Gas Market Volatility

01/0/2025 thru 02/05/2025



LAKELAND ELECTRIC
POWERED FOR LIFE

Financial Hedge Fuel Rates vs Actual Fuel Cost FY2026

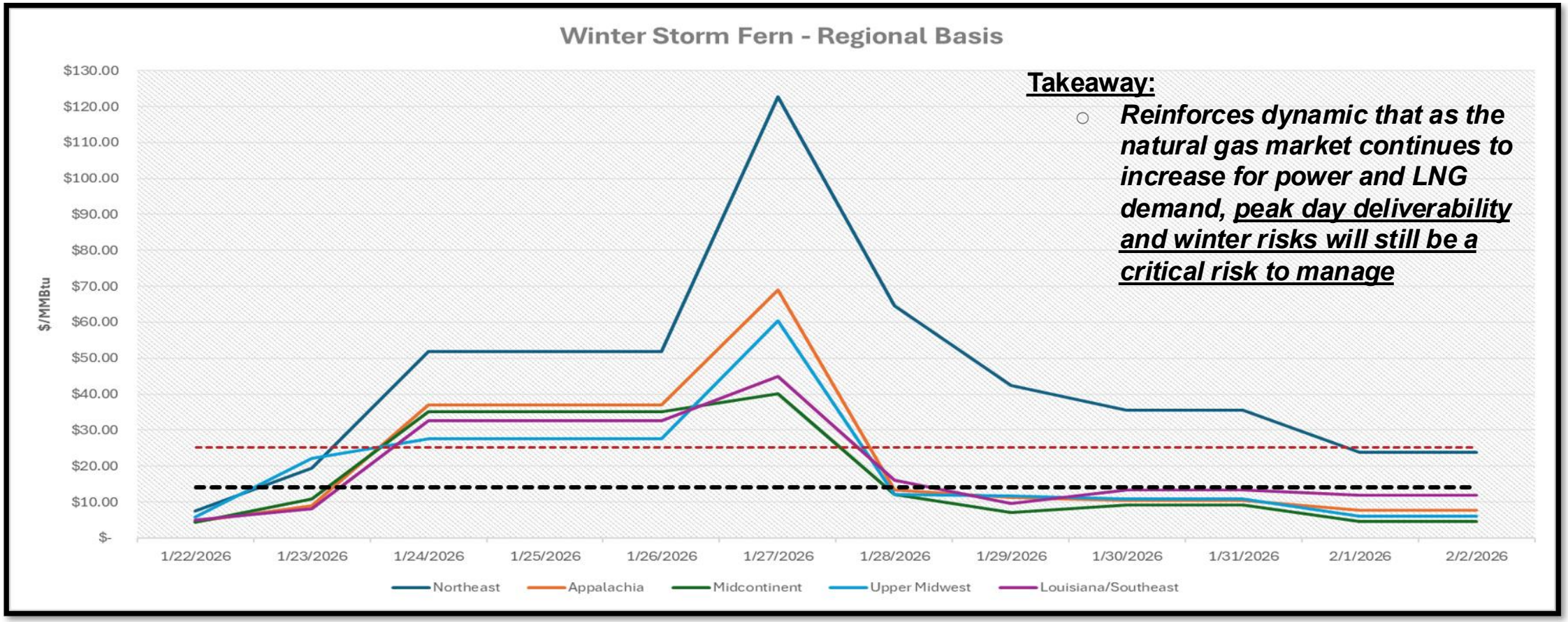


	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Avg
Without Hedging	$36.95	$44.01	$47.31	$86.05	$92.98	$55.01	$45.75	$44.63	$48.72	$52.18	$53.67	$55.92	$56.11
With Hedging	$43.76	$48.32	$47.16	$86.04	$74.34	$58.52	$48.83	$47.08	$50.30	$53.44	$54.75	$55.92	$55.40
Fuel Rate	$43.50	$43.50	$43.50	$47.50	$47.50	$47.50	$62.00	$62.00	$62.00	$62.00	$62.00	$62.00	

LAKELAND ELECTRIC
POWERED FOR LIFE

Southeast Gas Cash Prices

01/0/2025 thru 02/05/2025



Takeaway:

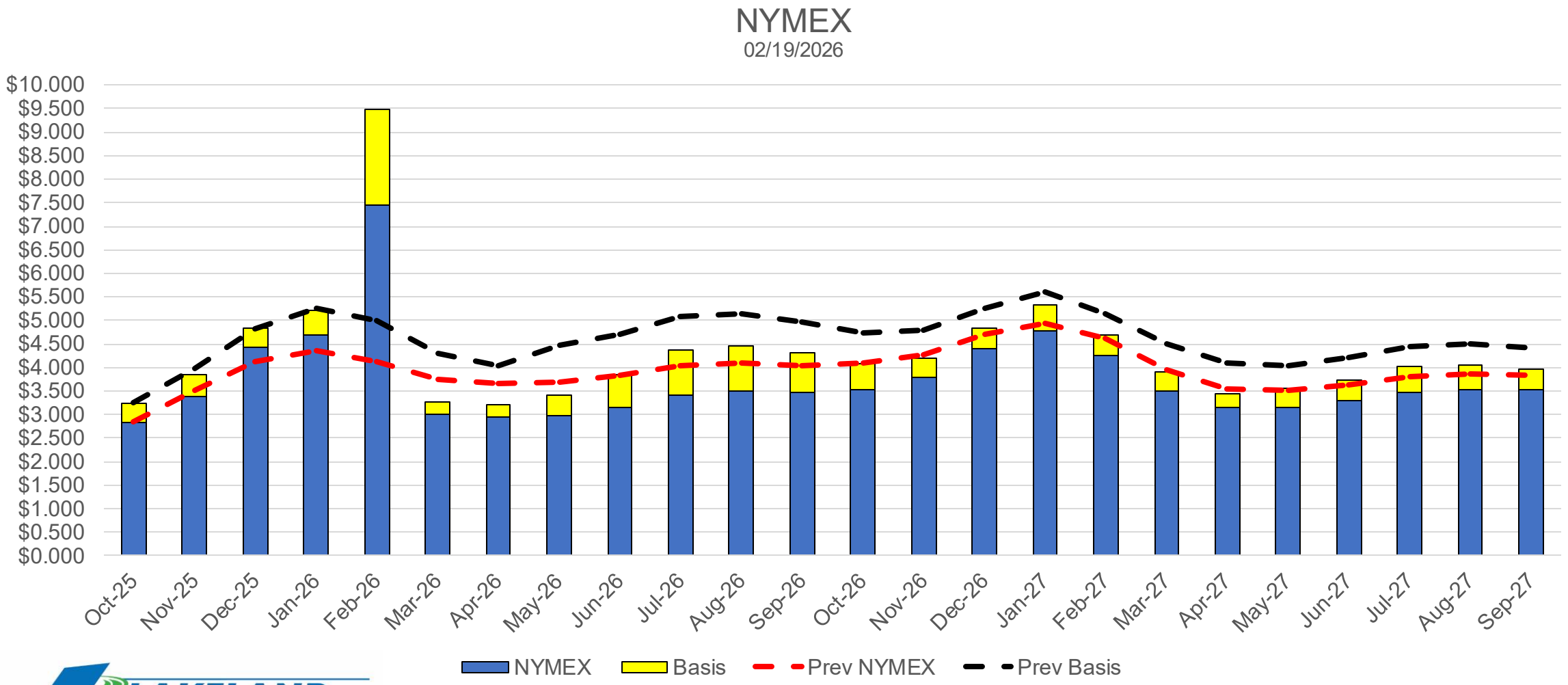
- ***Reinforces dynamic that as the natural gas market continues to increase for power and LNG demand, peak day deliverability and winter risks will still be a critical risk to manage***

2/17/2026

TEA MARKET INSIGHTS

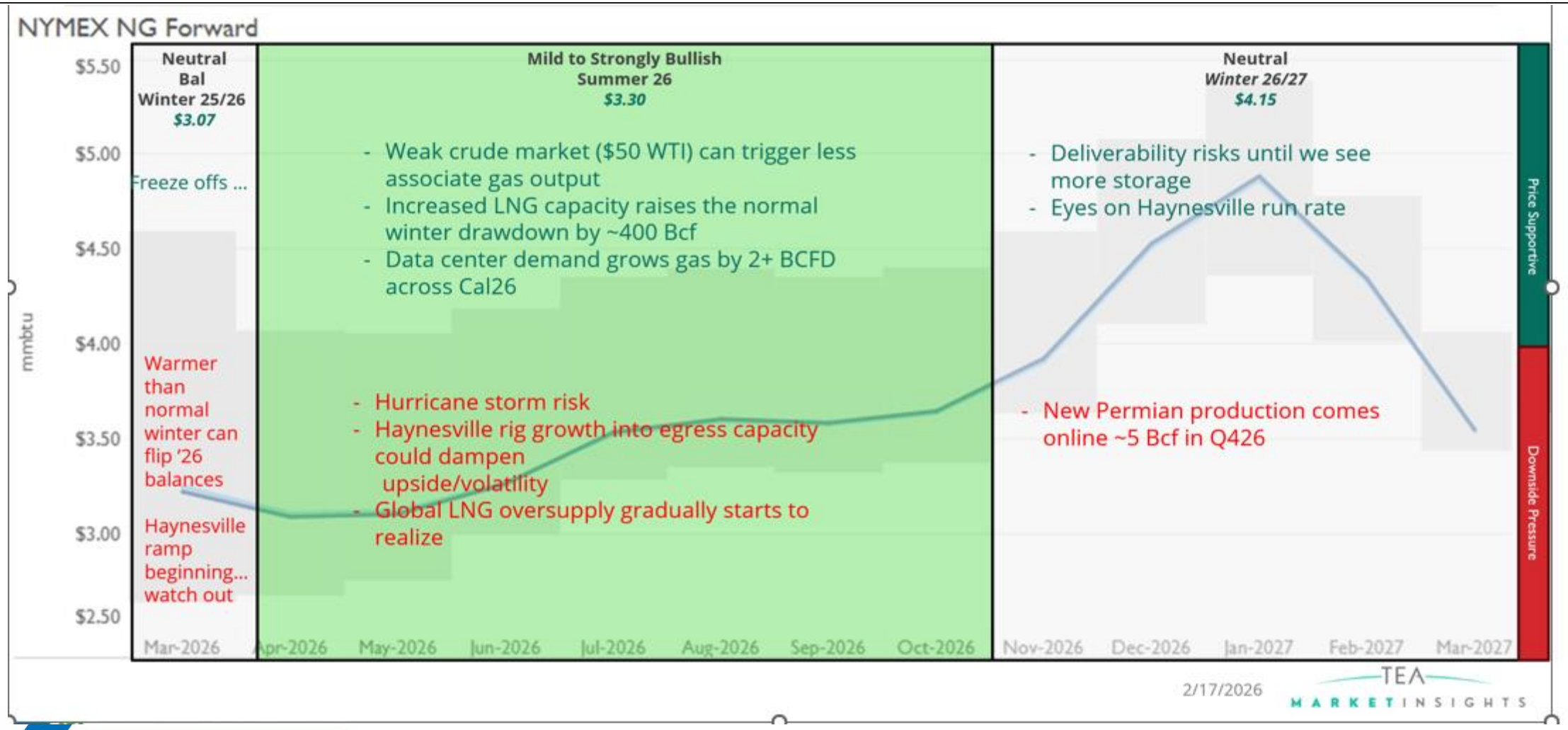
LAKELAND ELECTRIC
POWERED FOR LIFE

Forward Curve



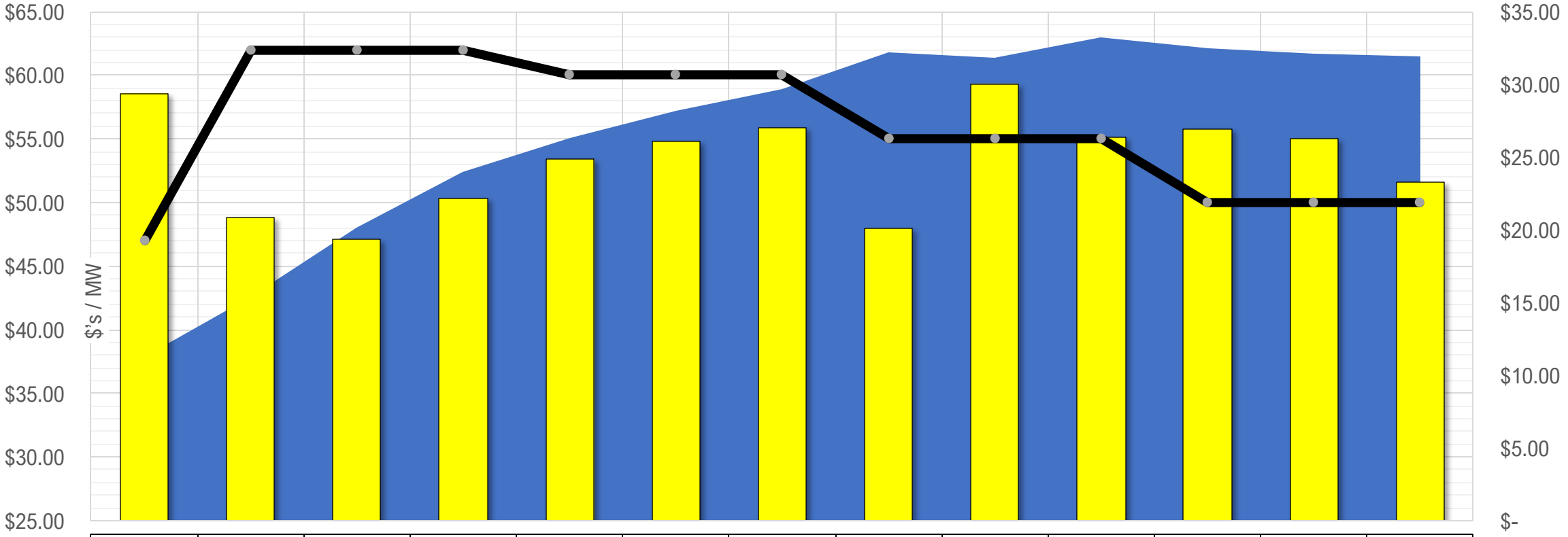
LAKELAND ELECTRIC
POWERED FOR LIFE

Market Conditions



LAKELAND ELECTRIC
POWERED FOR LIFE

Estimated Fuel Cost and Fuel Reserves



	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27
Fuel Reserve	$11.26	$15.37	$20.18	$24.01	$26.33	$28.22	$29.72	$32.18	$31.85	$33.19	$32.44	$32.08	$31.96
Fuel Expense	$58.52	$48.83	$47.08	$50.30	$53.44	$54.75	$55.92	$47.99	$59.27	$55.16	$55.73	$55.05	$51.64
Fuel Rate	$47.00	$62.00	$62.00	$62.00	$60.00	$60.00	$60.00	$55.00	$55.00	$55.00	$50.00	$50.00	$50.00

LAKELAND ELECTRIC
POWERED FOR LIFE

Lakeland Electric Historic Fuel Rates

FY	Q-1	Q-2	Q-3	Q-4
2026	$43.50	$47.00	$62.00	
2025	$43.50	$41.50	$41.50	$43.50
2024	$45.00	$38.00	$36.00	$45.00
2023	$75.00	$75.00	$55.00	$55.00
2022	$40.00	$40.00	$40.00	$75.00

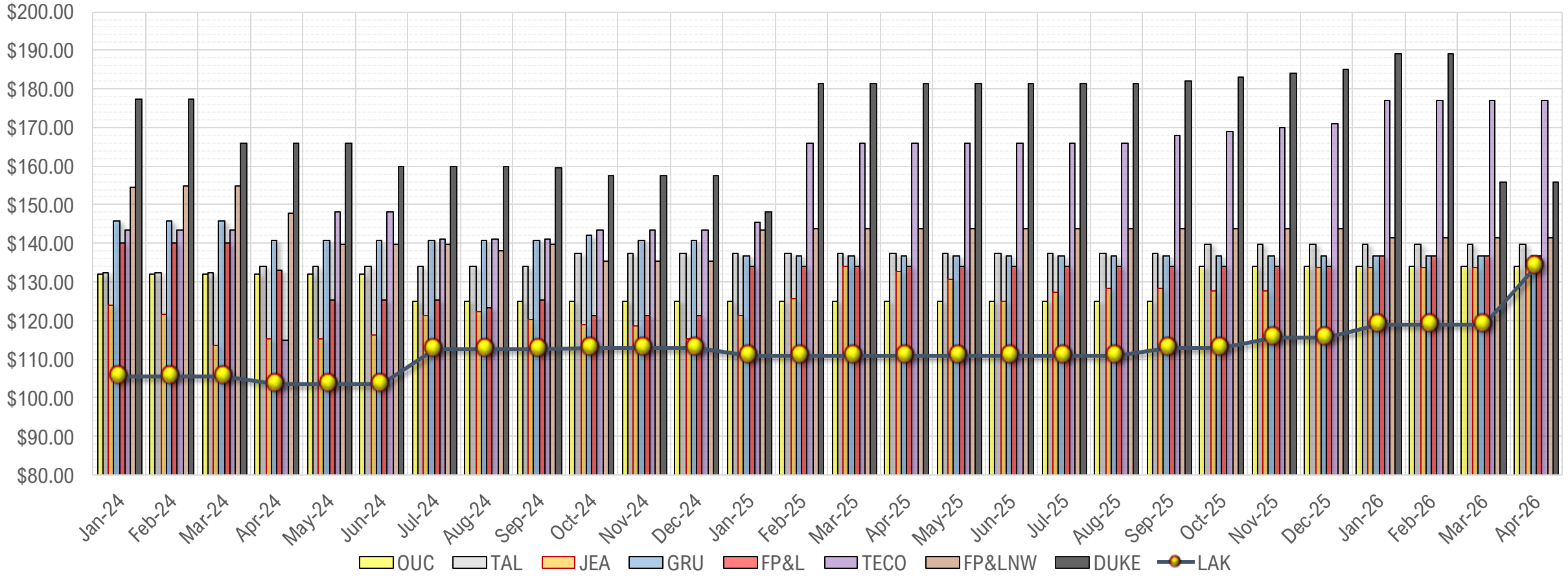
LAKELAND ELECTRIC
POWERED FOR LIFE

Rate Change Comparison

Entity	Previous Rate	New Rate	Delta
OUC	$134.00	$134.00	$0.00
JEA	$131.57	$133.86	$2.29
FPL	$134.14	$136.64	$2.50
TEC	$168.01	$176.89	$8.88
TAL	$139.75	$139.75	$0
DUKE	$181.94	$189.24	$7.30
LE	$119.06	$134.06	$15.00

LAKELAND ELECTRIC
POWERED FOR LIFE

JAN 2024– APR 2026 Rates Comparison of Municipals and IOU's 1,000 kWh



LAKELAND ELECTRIC
POWERED FOR LIFE

RECOMMEND TO INCREASE AT CURRENT FUEL RATE

- Current Fuel Rate is $47.00 MWh
- Staff recommends increasing the rate to $62.00 MWh starting April 1st

LAKELAND ELECTRIC
POWERED FOR LIFE

QUESTIONS

LAKELAND ELECTRIC
POWERED FOR LIFE

2026 Rate Study
Revenue Requirement

February 27, 2026

Willem Strauss
AGM Fiscal Operations

What is the Base Rate?

- The base rate recovers our costs of operation
- The base rate includes:
  - The electric charges (demand and kWh sold)
  - The customer charges (Call Center, billing, etc.)
- The base rate excludes:
  - Fuel costs (fuel rate)
  - Environmental costs (environmental rate)
  - Taxes and surcharges (State, County and Local Government)
- The base rate accounts for about 55% of an average residential bill

LAKELAND ELECTRIC
POWERED FOR LIFE

Why Do a Base Rate Study?

- Historically done every 4 years; last one performed in 2022
- Much has changed since 2022
  - MREP was completed and put into production
  - High inflation and high interest rates over recent years
  - Technology (Electric vehicles, energy saving appliances, etc.)
  - Customer behavior (Work from home, time-of-use, mindset, etc.)
  - Regulatory environment (Clean energy, data centers, storm recovery, etc.)
- Rate Study consists of three phases
  - Phase 1: Calculation of the revenue requirement (February 27th, 2026)
  - Phase 2: Cost-of-service allocation (May 1st, 2026)
  - Phase 3: Rate design (June 12th, 2026)

LAKELAND ELECTRIC
POWERED FOR LIFE

Phase 1: Calculation of Revenue Requirement

Non-fuel Operating Expenses

+ Rate Funded Capital Investments

+ Debt Service

+ PILOT* to the City

Total Cost of Service

- Other Revenue Sources

Revenue Requirement

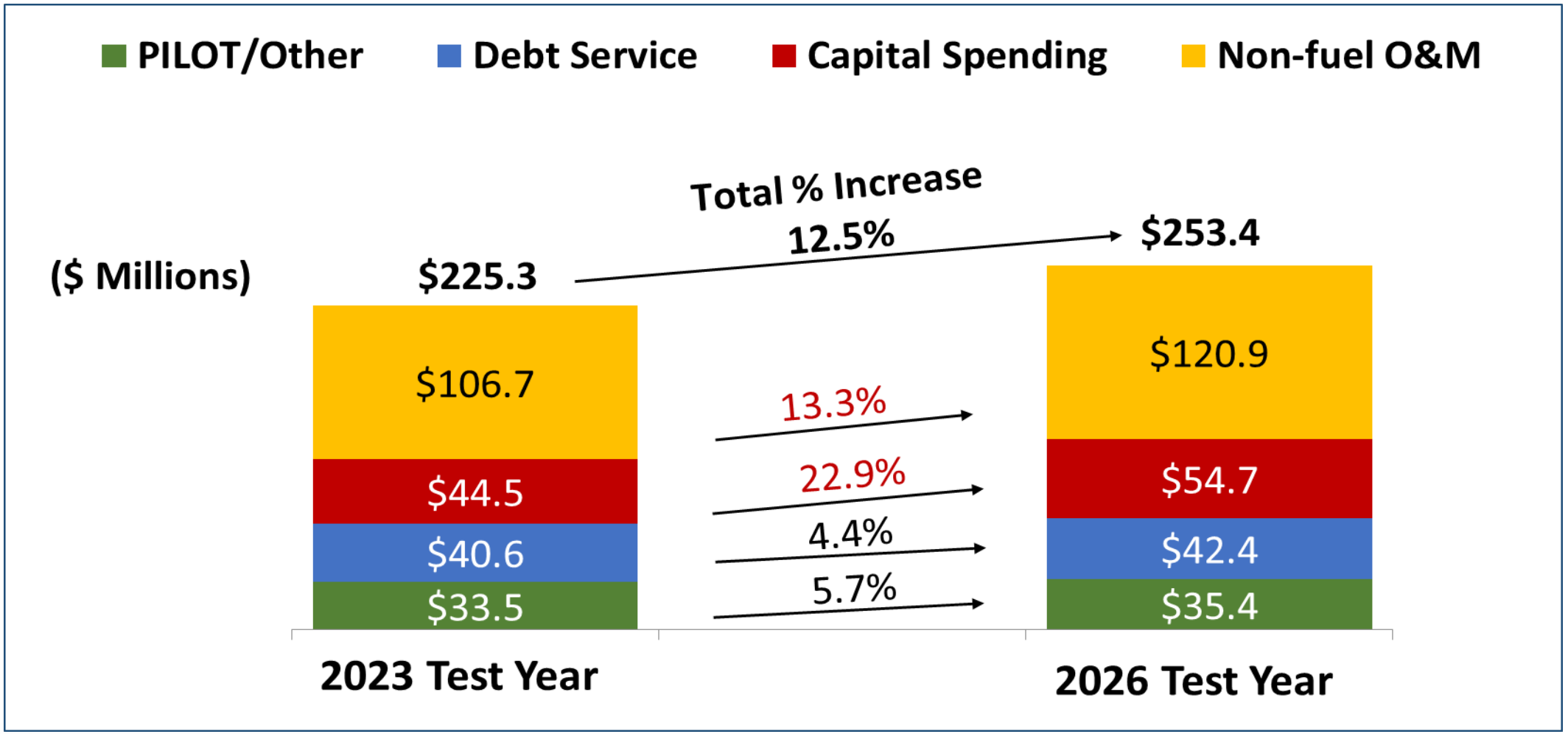
Using approved 2026 Budget as test year to do a 5-year forecast (multi-year period for rate stability)

Compare to Revenue From Existing Rates to Determine if a Rate Change is Warranted

* Payment in lieu of taxes

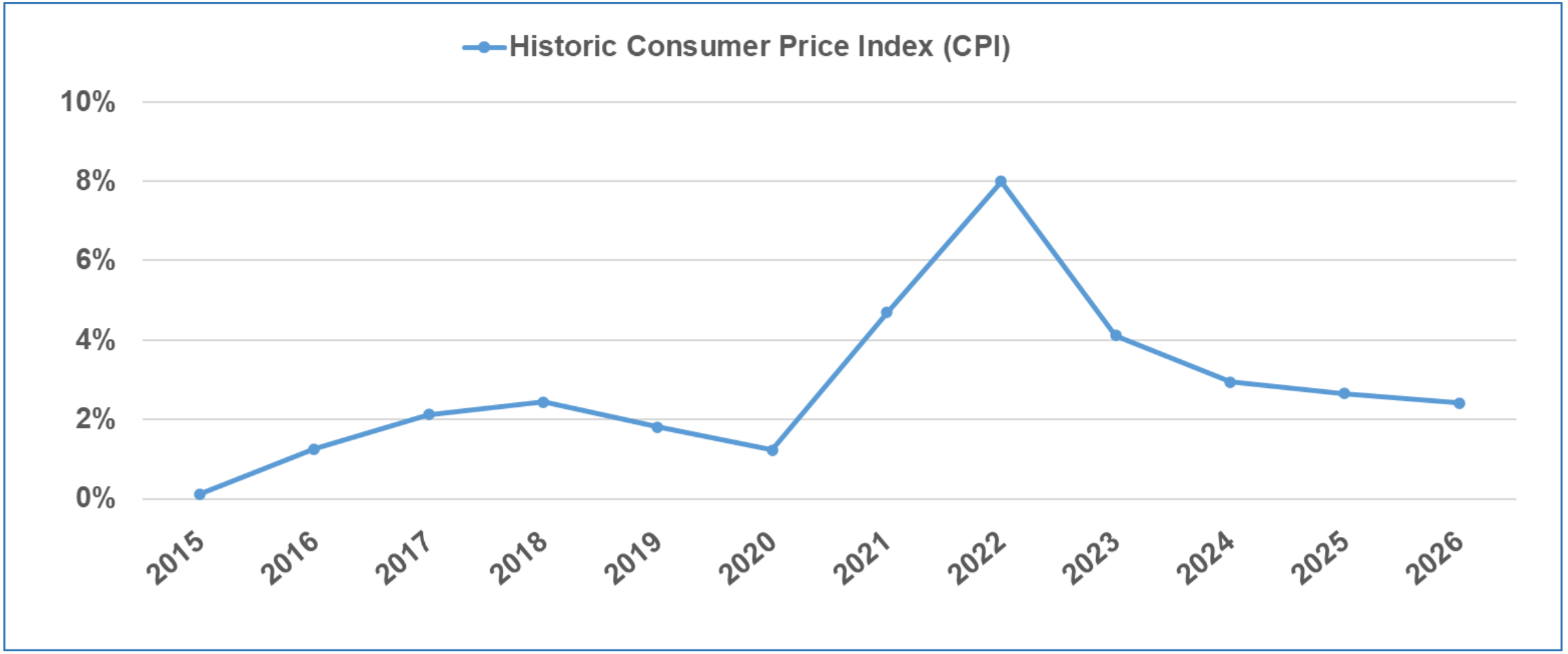
LAKELAND ELECTRIC
POWERED FOR LIFE

Test Year Comparison



LAKELAND ELECTRIC
POWERED FOR LIFE

Looking Back and Setting the Stage for the Future



LAKELAND ELECTRIC
POWERED FOR LIFE

Looking Back and Setting the Stage for the Future (Continued)

Cost Comparison of a Basket of Items	2020 Cost	2025 Cost	$ Increase	% Change
Interest Payable on Bond Financing	$16,304,194	$21,421,806	$5,117,612	31%
Substation Transformer	$850,000	$1,750,000	$900,000	106%
750 URD Primary Copper Wire Reel (1,050 ft.)	$14,106	$17,704	$3,598	26%
55 Ft. Steel Distribution Pole	$3,367	$7,017	$3,650	108%
Sulfuric Acid (Per Standard Ton)	$148	$308	$160	108%
Anhydrous Ammonia (Per Pound)	18¢	34¢	16¢	89%
Hydrogen (Per Cubic Foot)	7¢	21¢	14¢	200%

LAKELAND ELECTRIC
POWERED FOR LIFE

Looking Back and Setting the Stage for the Future (Continued)

Key Statistics	2020	2025	Growth	% Growth
Residential Customers	112,240	121,567	9,327	8.3%
Commercial and Industrial Cust.	13,601	15,075	1,474	10.8%
Retail Sales (in MWh)	3,165,831	3,376,536	210,705	6.7%
Average Demand (in MW)	369	403	34	9.2%
Summer Peak (in MW)	678	753	75	11.1%
Winter Peak (in MW)	600	643	43	7.2%
Distribution Substations	28	30	2	7.1%
Distribution lines (in miles)	1,975	2,090	115	5.8%

LAKELAND ELECTRIC
POWERED FOR LIFE

Looking Back and Setting the Stage for the Future (Continued)

Table of Organization - F/T	2020	2021	2022	2023	2024	2025	2026
Budgeted Full-time Positions	519	411	413	412	412	415	410
Actual Filled Full-time Positions	463	384	364	367	373	391	390
Vacant Full-time Positions	56	27	49	45	39	24	20

Table of Organization - P/T	2020	2021	2022	2023	2024	2025	2026
Budgeted Part-time Positions	27	27	26	26	26	25	25
Actual Filled Part-time Positions	9	4	5	9	10	14	11
Vacant Part-time Positions	18	23	21	17	16	11	14

LAKELAND ELECTRIC
POWERED FOR LIFE

Looking Back and Setting the Stage for the Future (Continued)

Non-Bond Funded Capital Projects	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Original Approved Budget	$39.8M	$39.2M	$42.1M	$44.5M	$35.6M	$46.6M	$54.7M
Additional Appropriations	$4.6M	-	-	-	$3.2M	$4.5M	-
Rate Funded Capital Budget	$44.4M	$39.2M	$42.1M	$44.5M	$38.8M	$51.1M	$54.7M
Insurance Proceeds	-	-	-	-	-	$9.1M	-
Total Non-Bond Funded Projects	**$44.4M**	**$39.2M**	**$42.1M**	**$44.5M**	**$38.8M**	**$60.2M**	**$54.7M**

Bond Funded Capital Projects	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
2021 and 2023 Bond Proceeds	-	-	$165.8M	$80.8M	-	-	-
Interest Received on Bond Funds			$2.2M	$2.8M	$2.1M	$0.5M	-
Total Bond Funded Projects	**-**	**-**	**$168.0M**	**$83.6M**	**$2.1M**	**$0.5M**	**-**

LAKELAND ELECTRIC
POWERED FOR LIFE

Key Assumptions for the 5-Year Forecast

Forecast Assumptions	2027	2028	2029	2030	2031
Wages Escalation	3.00%	3.00%	3.00%	3.00%	3.00%
Insurance Escalation	2.00%	2.00%	2.00%	2.00%	2.00%
Operations and Maint. Exp. Escalation	2.00%	2.00%	2.00%	2.00%	2.00%
Internal Service Charge Escalation	2.00%	2.00%	2.00%	2.00%	2.00%
Environmental O&M Escalation	2.00%	2.00%	2.00%	2.00%	2.00%
Fuel Rate Escalation	2.00%	2.00%	2.00%	2.00%	2.00%
Consumer Price Index (Moody's)	2.40%	2.40%	2.40%	2.40%	2.40%
PILOT Rate - Per MWh (Incr. 2% p.a.)	$10.61	$10.82	$11.04	$11.26	$11.48
Interest Rate (Surplus Funds)	3.00%	3.00%	3.00%	3.00%	3.00%
Days Sales Outstanding (Debtors)	58 Days	58 Days	58 Days	58 Days	58 Days
Days Payables Outstanding (Creditors)	36 Days	36 Days	36 Days	36 Days	36 Days
Reduce Inventory Levels (Next 2 years)	$2.5M	$2.5M	N/A	N/A	N/A
Load (MWh)	3,432,622	3,469,462	3,505,245	3,542,711	3,579,566
Customer Numbers	149,571	151,430	153,279	155,104	156,876

LAKELAND ELECTRIC
POWERED FOR LIFE

Non-Fuel Operations and Maintenance Expenses

($ Thousands) Non Fuel Oper. and Maint.	2025 Actual	2026 Test Yr.	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Payroll Expenses	47,538	51,375	52,915	54,503	56,138	57,822	59,556
Materials and Supplies	5,919	5,023	5,123	5,226	5,330	5,437	5,546
Contractual Services	29,973	24,232	24,717	25,211	25,715	26,229	26,754
Other Oper. and Maint.	11,901	11,441	11,670	11,903	12,141	12,384	12,632
Bad Debts	696	814	766	775	787	799	808
Software Licenses	1,078	1,254	1,279	1,305	1,331	1,357	1,385
Insurance	4,642	4,531	4,622	4,714	4,808	4,905	5,003
Internal Service Charges	17,845	17,896	18,254	18,619	18,991	19,371	19,759
Recoveries	(13,088)	(6,435)	(6,564)	(6,695)	(6,829)	(6,965)	(7,105)
Total Non Fuel O&M	**106,504**	**110,131**	**112,782**	**115,560**	**118,413**	**121,339**	**124,338**

LAKELAND ELECTRIC
POWERED FOR LIFE

Future Rate Funded and Bond Funded Capital Investments

Non-Bond Funded Capital Projects	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Original Approved Budget	$35.6M	$46.6M	$54.7M	$55.8M	$56.4M	$57.1M	$57.7M	$58.3M
Additional Appropriations	$3.2M	$4.5M	-	-	-	-	-	-
Rate Funded Capital Budget	$38.8M	$51.1M	$54.7M	$55.8M	$56.4M	$57.1M	$57.7M	$58.3M
Insurance Proceeds	-	$9.1M	-	-	-	-	-	-
Total Non-Bond Funded Projects	**$38.8M**	**$60.2M**	**$54.7M**	**$55.8M**	**$56.4M**	**$57.1M**	**$57.7M**	**$58.3M**

Bond Funded Capital Projects	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Indian Lakes Substation	-	-	-	-	$15.0M	-		-
Indian Lakes Transmission Line	-	-	-	-	$15.0M	-	-	-
Total Bond Funded Projects	**-**	**-**	**-**	**-**	**$30.0M**	**-**		**-**

LAKELAND ELECTRIC
POWERED FOR LIFE

Other Revenue Sources

($ Thousands) Other Revenue Sources	2025 Actual	2026 Test Yr.	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Investment Income	8,691	9,641	6,452	5,950	5,808	4,605	3,730
Sales for Resale	2,725	1,800	1,800	1,800	1,800	1,800	1,800
Other Miscellaneous Services	6,422	6,457	6,612	6,771	6,933	7,100	7,270
Other Non-operating Income	993	414	424	434	445	455	466
Total Other Revenue Sources	**18,831**	**18,312**	**15,288**	**14,955**	**14,986**	**13,959**	**13,265**

LAKELAND ELECTRIC
POWERED FOR LIFE

Calculation of the Revenue Requirement

($ Thousands) Revenue Requirement	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast	5-Year Total
Non Fuel Oper. and Maint.	112,782	115,560	118,413	121,339	124,338	592,431
Rate-funded Capital Projects	55,822	56,435	57,057	57,684	58,319	285,317
Debt Service Payments	44,044	44,951	45,683	45,610	46,091	226,378
PILOT to General Fund	36,413	37,540	38,686	39,881	41,102	193,623
Total Cost of Service	**249,061**	**254,486**	**259,839**	**264,514**	**269,850**	**1,297,750**
Less: Other Revenue Sources	(15,288)	(14,955)	(14,986)	(13,959)	(13,265)	(72,454)
Revenue Requirement	**233,773**	**239,531**	**244,852**	**250,555**	**256,585**	**1,225,296**

LAKELAND ELECTRIC
POWERED FOR LIFE

Projected Revenue Generated from Existing Base Rates

($ Thousands) Sales of Electricity	2026 Test Year	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast	5-Year Total
Base Rate Revenue	$ 213,313	$ 215,396	$ 217,708	$ 219,953	$ 222,304	$ 224,617	**1,099,979**
Retail MW Hours	3,399,423	3,432,622	3,469,462	3,505,245	3,542,711	3,579,566	
Average Rate per MWh	0.0627	0.0627	0.0627	0.0627	0.0627	0.0627	

LAKELAND ELECTRIC
POWERED FOR LIFE

Revenue Requirement – Over/(Under) Recovery

($ Thousands) Over/(Under) Recovery for the 5-Year Period	Total
Total Cost of Service	1,297,750
Less: Other Revenue Sources	(72,454)
Revenue Requirement	1,225,296
Revenue Generated from Existing Rates	1,099,979
Over/(Under) Recovery	**(125,317)**
	-11.39%

LAKELAND ELECTRIC
POWERED FOR LIFE

Analysis of Over/(Under) Recovery

($ Thousands)	2027	2028	2029	2030	2031	Total
Revenue Requirement	233,773	239,531	244,852	250,555	256,585	1,225,296
Revenue Generated	215,396	217,708	219,953	222,304	224,617	1,099,979
Over/(Under) Recovery	**(18,377)**	**(21,824)**	**(24,899)**	**(28,250)**	**(31,968)**	**(125,317)**
	-8.53%	**-10.02%**	**-11.32%**	**-12.71%**	**-14.23%**	**-11.39%**

LAKELAND ELECTRIC
POWERED FOR LIFE

Revenue Requirement – Over/(Under) Recovery (NewGen S&S)

($ Thousands) Over/(Under) Recovery for the 5-Year Period	Total
Total Cost of Service	1,324,460
Less: Other Revenue Sources	(72,454)
Revenue Requirement	1,252,007
Revenue Generated from Existing Rates	1,099,979
Over/(Under) Recovery	**(152,028)**
	-13.82%

LAKELAND ELECTRIC
POWERED FOR LIFE

Analysis of Over/(Under) Recovery (NewGen S&S)

($ Thousands)	2027	2028	2029	2030	2031	Total
Revenue Requirement	235,990	243,306	250,128	257,413	265,170	1,252,007
Revenue Generated	215,396	217,708	219,953	222,304	224,617	1,099,979
Over/(Under) Recovery	**(20,594)**	**(25,598)**	**(30,175)**	**(35,109)**	**(40,553)**	**(152,028)**
	-9.56%	**-11.76%**	**-13.72%**	**-15.79%**	**-18.05%**	**-13.82%**

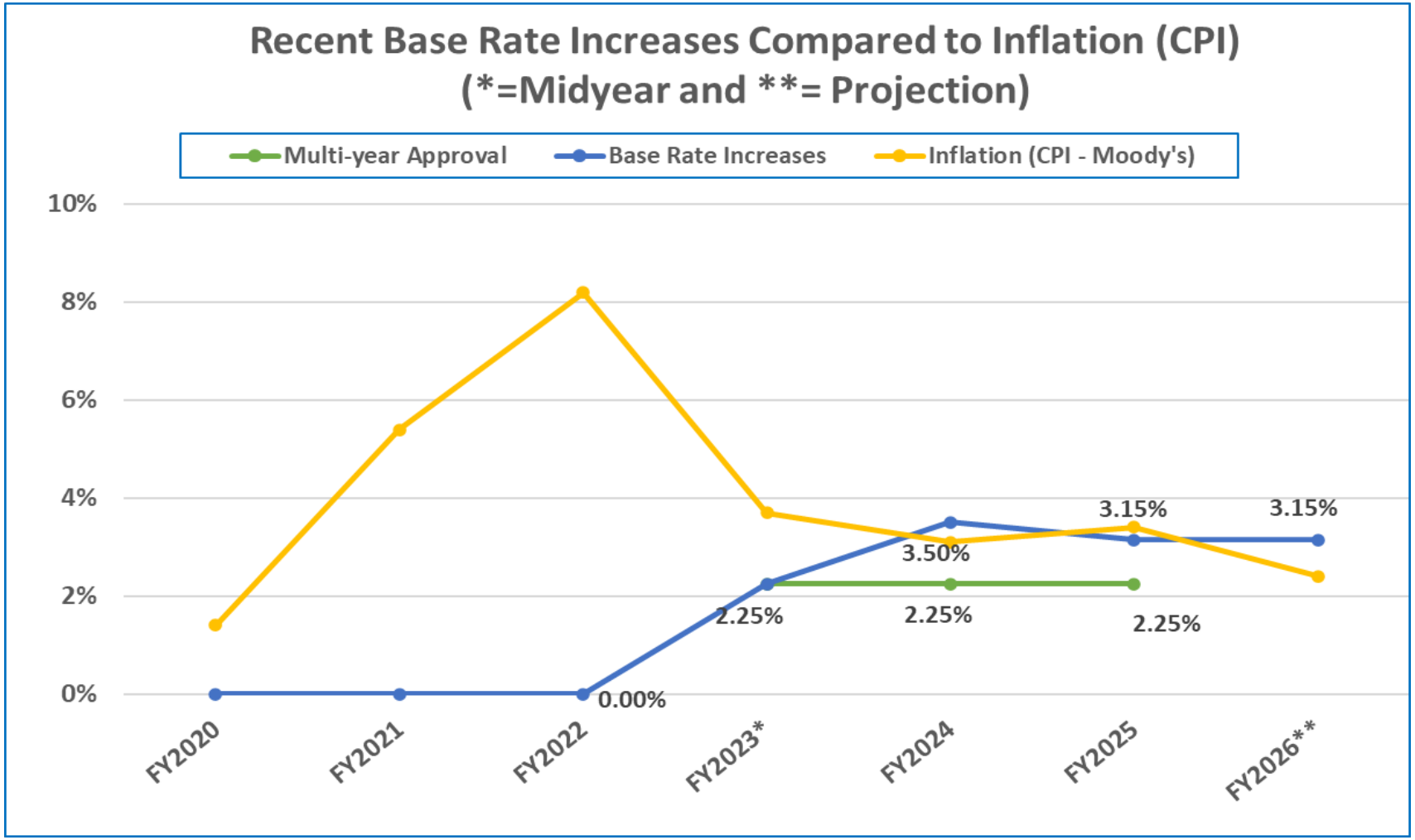
LAKELAND ELECTRIC
POWERED FOR LIFE

Handy-Whitman Index

The Handy-Whitman is a historical index of cost increases that are specific to the utility industry. The index is primarily based on changes in equipment costs. NewGen Strategies and Solutions has therefore chosen to use this index to escalate a portion of the O&M expense (for items such as materials, contractors, engineering and design) that they expect to also experience comparable cost pressures to equipment costs.

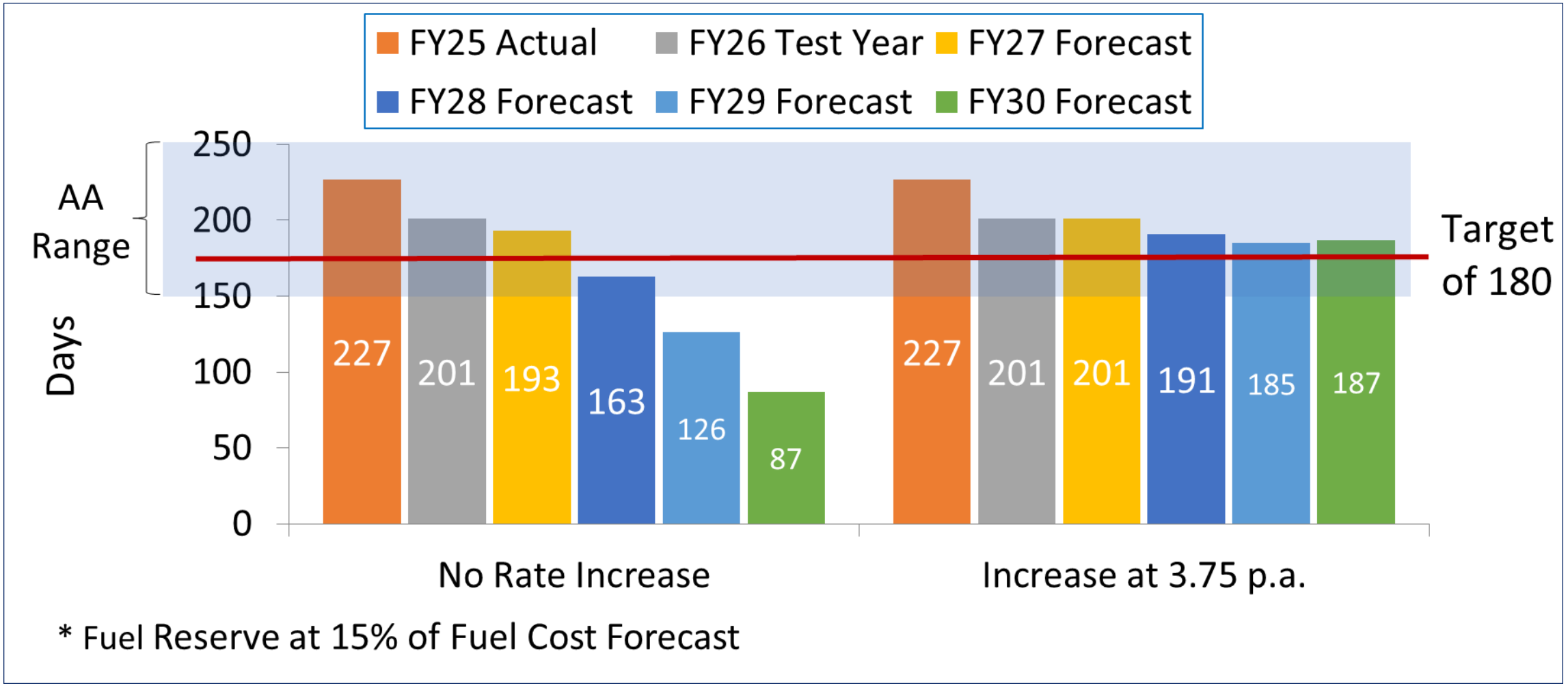
LAKELAND ELECTRIC
POWERED FOR LIFE

Base Rate Increases Over Recent Years



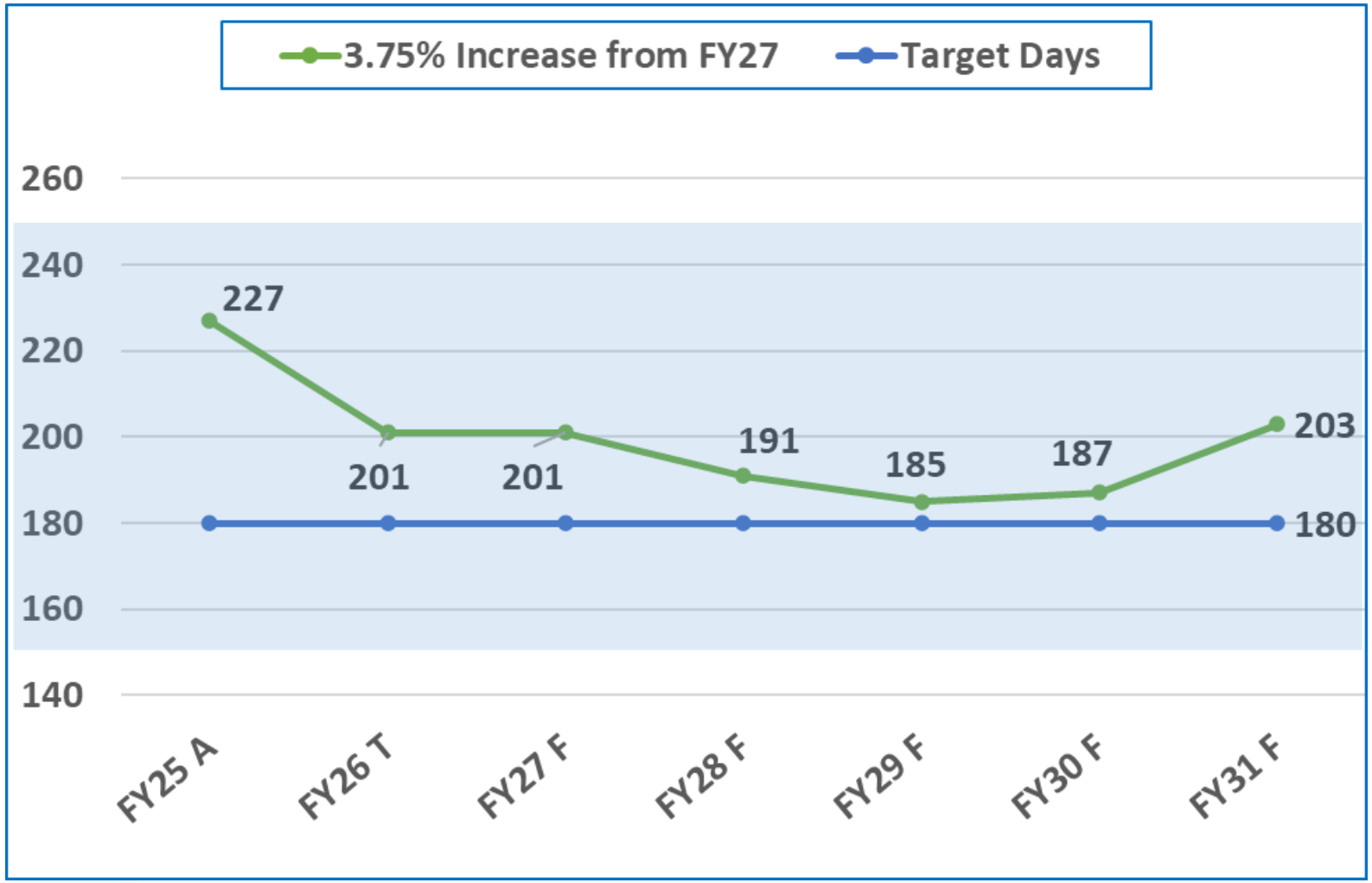
LAKELAND ELECTRIC
POWERED FOR LIFE

Impact of a Base Rate Increase (or Not) on the Days Cash*



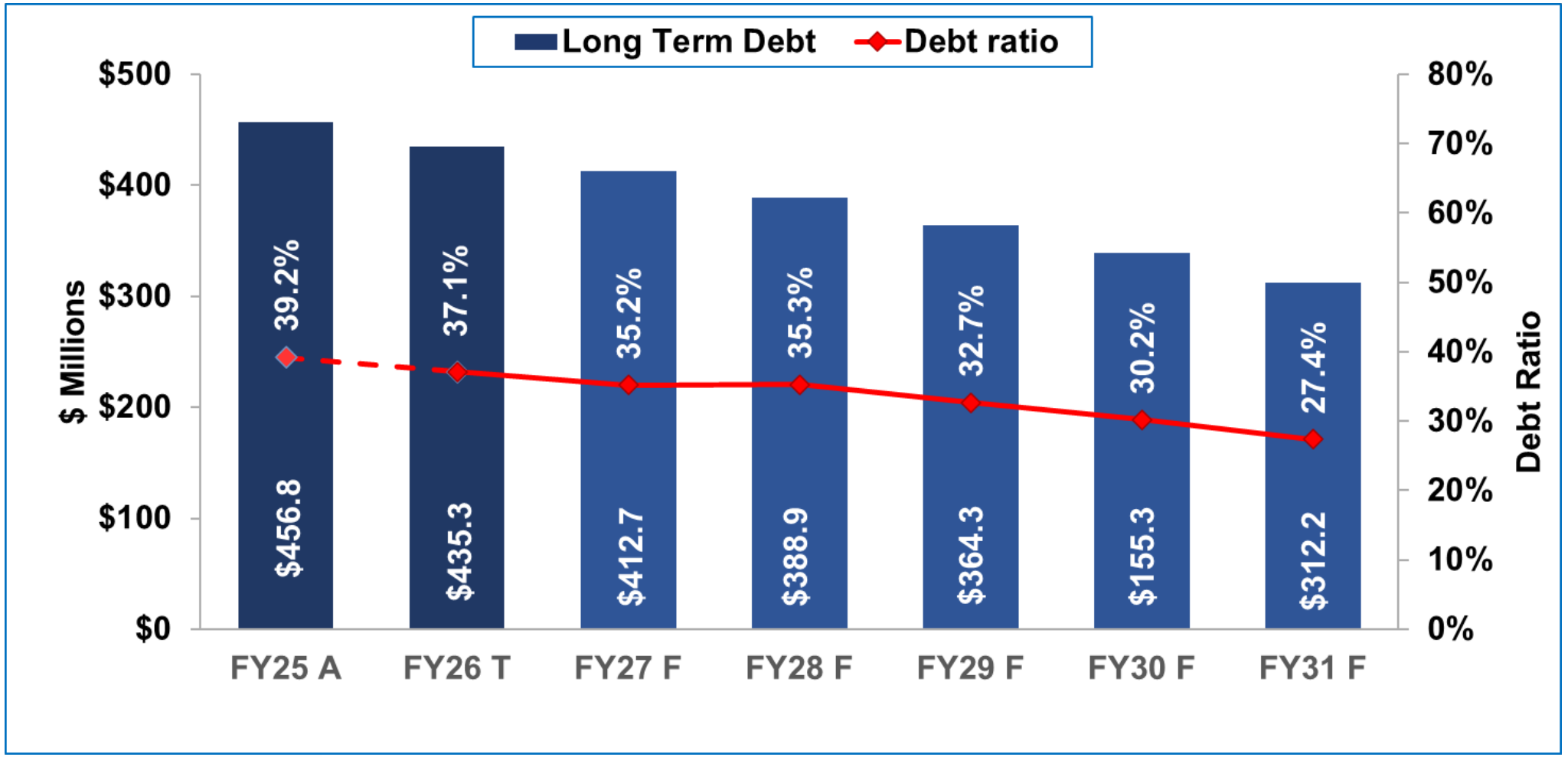
LAKELAND ELECTRIC
POWERED FOR LIFE

Days Cash over the Medium Term (3.75% Base Rate Increase)



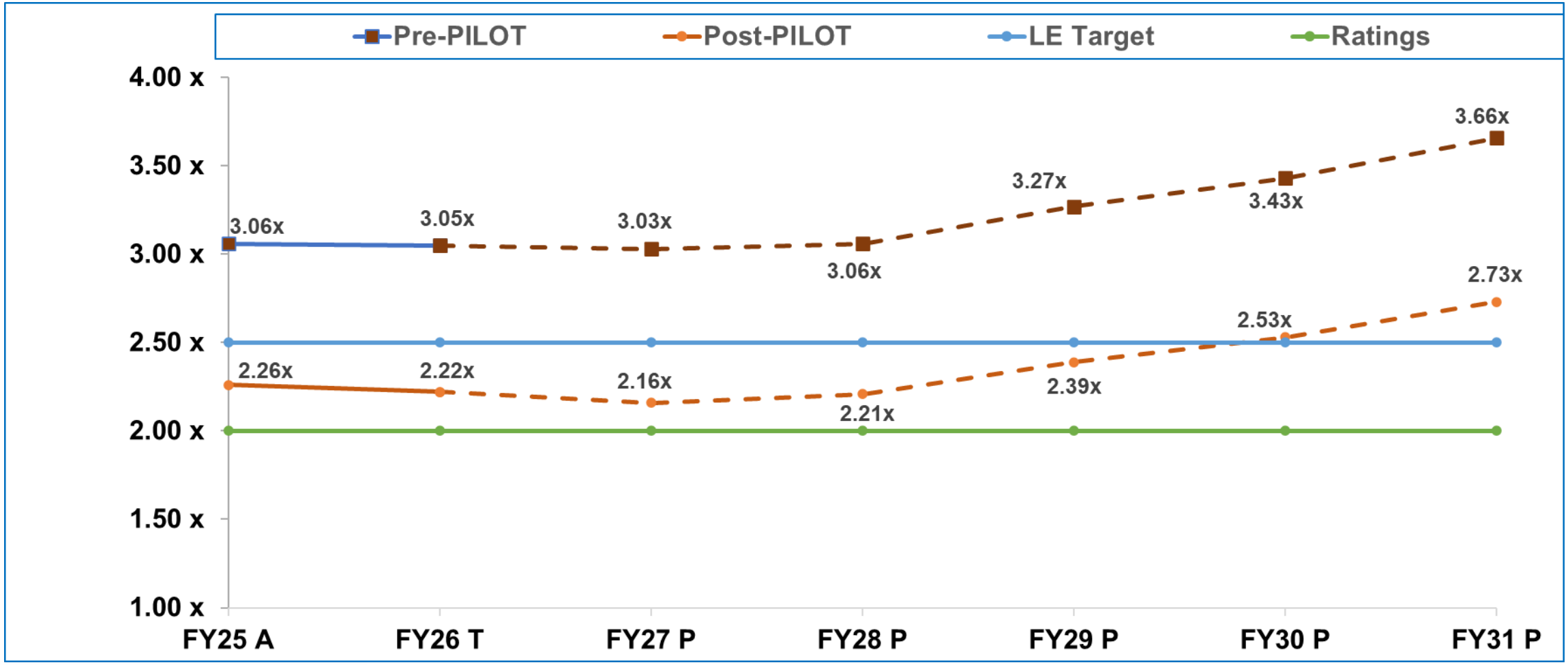
LAKELAND ELECTRIC
POWERED FOR LIFE

Projected Long Term Debt and Debt Ratio (3.75% Increase)



LAKELAND ELECTRIC
POWERED FOR LIFE

Projected Debt Service Coverage (3.75% Increase)



LAKELAND ELECTRIC
POWERED FOR LIFE

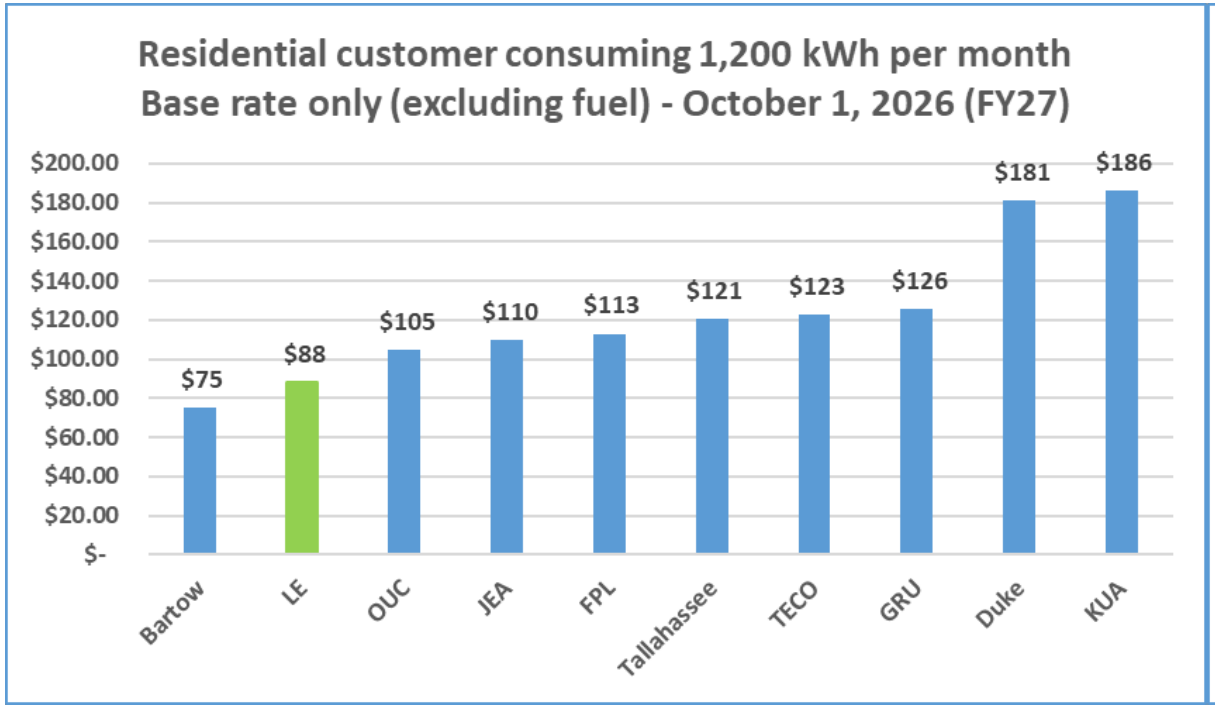
Management Recommendation

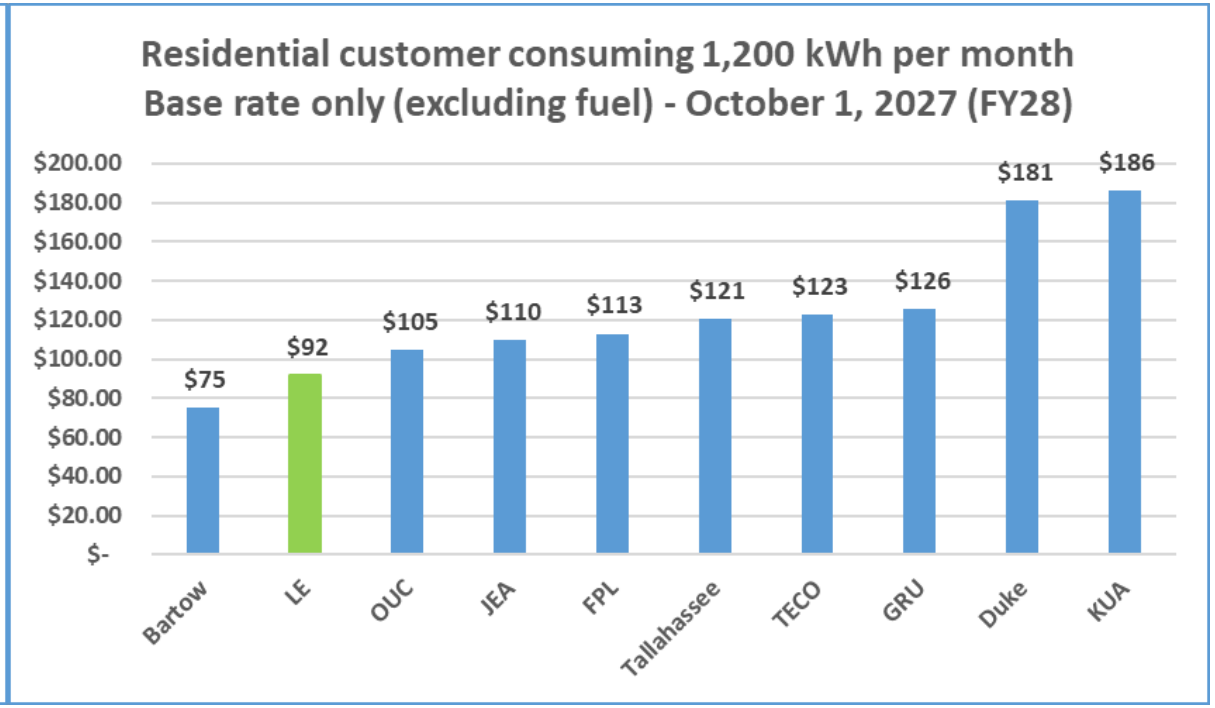
Management recommends a multi-year base rate increase over the period covered by this rate study, as follows:

- 3.75% for FY2027 – Effective from October 1, 2026
- 3.75% for FY2028 – Effective from October 1, 2027
- 3.75% for FY2029 – Effective from October 1, 2028
- 3.75% for FY2030 – Effective from October 1, 2029

LAKELAND ELECTRIC
POWERED FOR LIFE

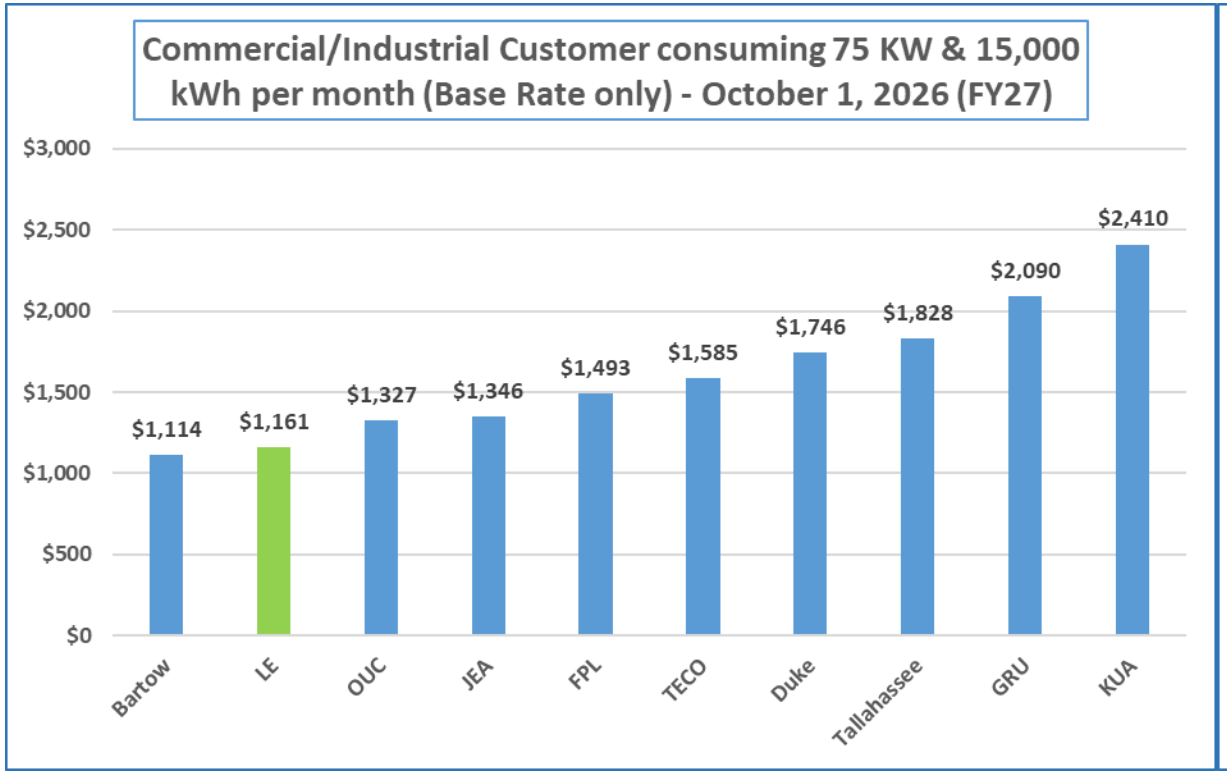
FMEA Residential Bill Comparison – January 31, 2026

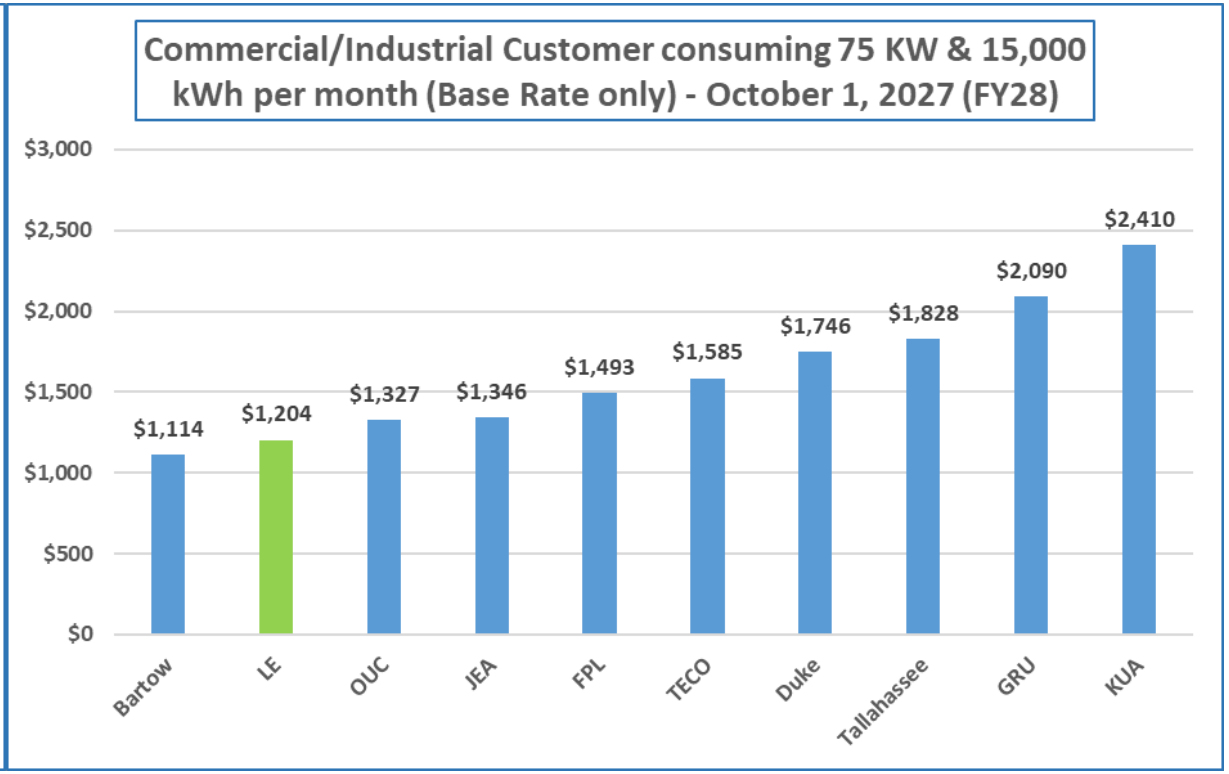




LAKELAND ELECTRIC
POWERED FOR LIFE

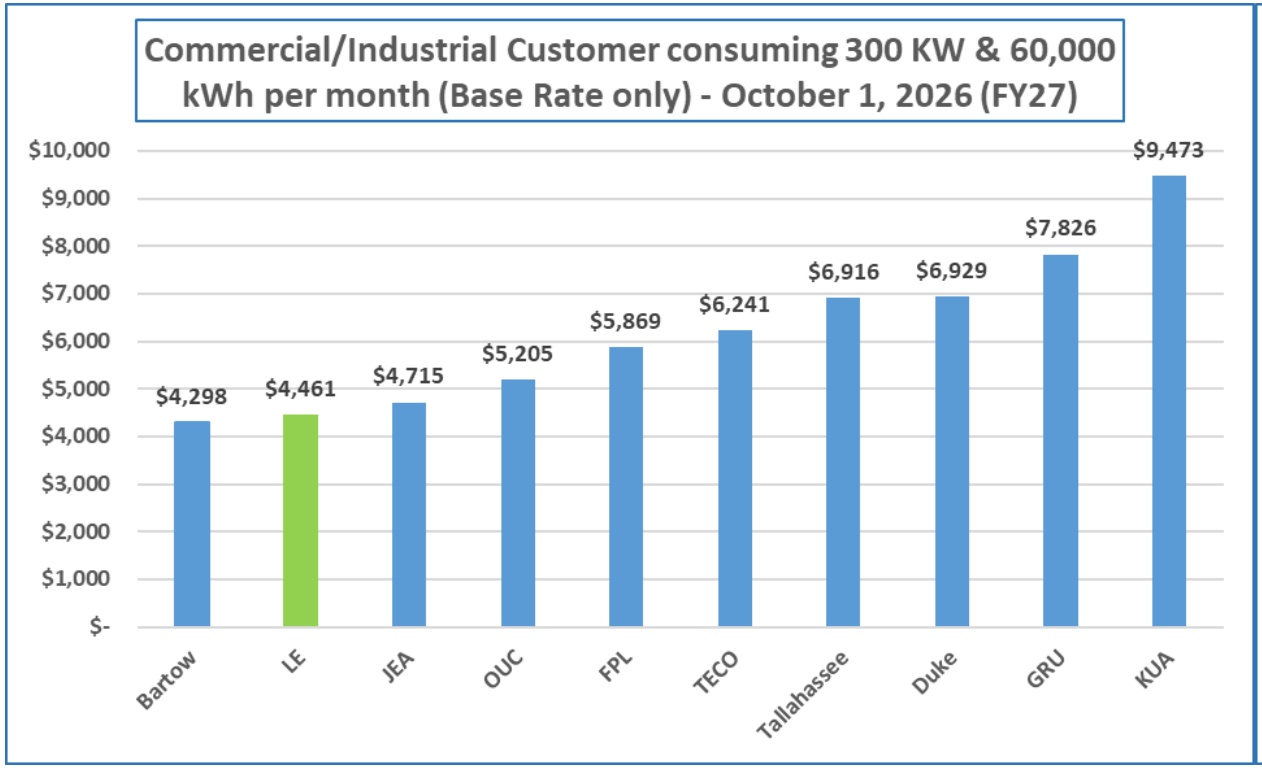
FMEA Commercial/Industrial Bill Comparison – January 2026

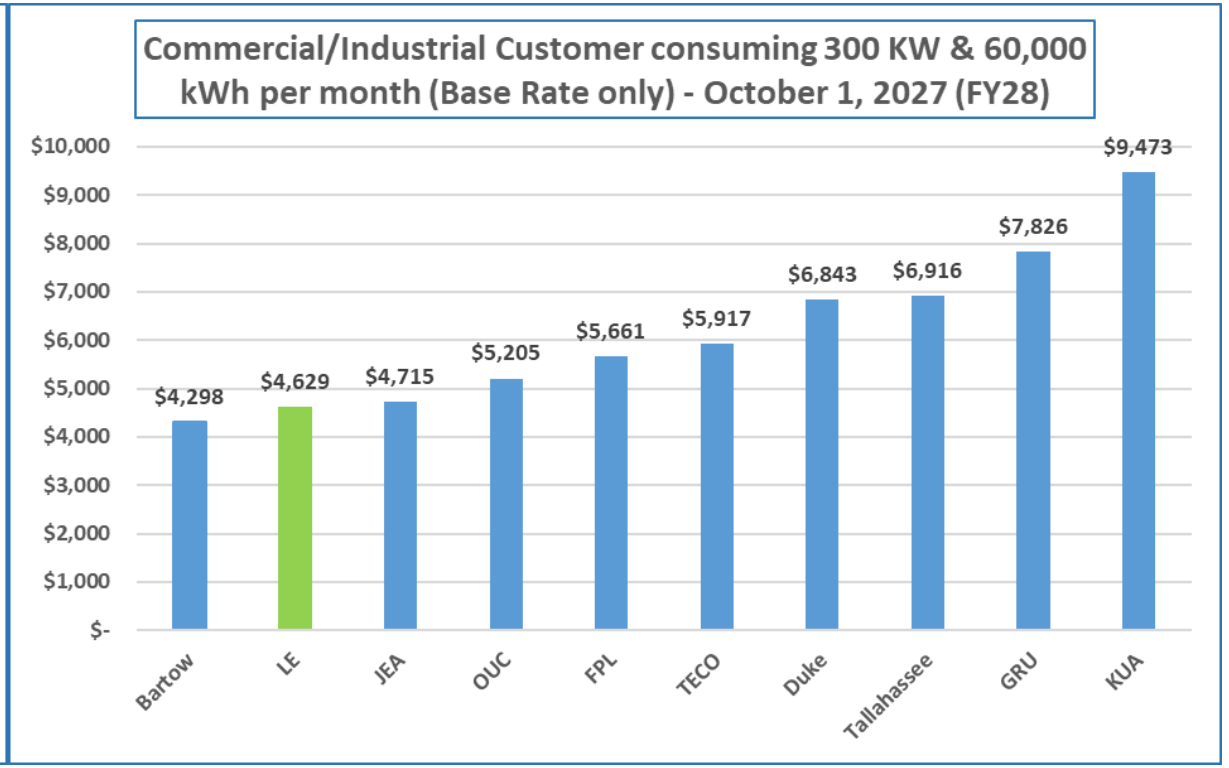




LAKELAND ELECTRIC
POWERED FOR LIFE

FMEA Commercial/Industrial Bill Comparison – January 2026





LAKELAND ELECTRIC
POWERED FOR LIFE

Other Funding Factors to be Considered

In general, calculating the Revenue Requirement is to ensure that rates will recover the costs to provide services to customers.

However, there are other factors that need to be considered and decided on when calculating the Revenue Requirement, such as:

- Increase funding for rate funded capital projects (pay-as-you-go)
- Funding for incentives relating to economic development programs
- Funding for storm related costs not recovered from the Government
- Funding for future capital needs relating to major capital projects

The main goal is to ensure that Lakeland Electric is financially sound in both the short-term and the long-term.

LAKELAND ELECTRIC
POWERED FOR LIFE

QUESTIONS?