



April 30, 2024

Dear SECO Energy Key Account Member,

SECO Energy is your local, not-for-profit electric cooperative that serves more than 240,000 homes and businesses in seven Central Florida counties. As a cooperatively structured utility, we have a unique relationship with our consumers. You are more than a customer; you are a member who shares in the benefits and costs of SECO Energy through your energy purchases and additional energy services.

Supply chain constraints and rising costs on almost every piece of equipment SECO Energy purchases to operate the not-for-profit utility have skyrocketed since the beginning of the Covid-19 pandemic. SECO Energy lighting service rates have remained steady for more than a decade; however, with increasing equipment and labor costs and the production of LED (light-emitting diode) fixtures, the charge for lighting fixtures and corresponding pole rentals must increase as well.

Effective May 1, 2024, the charge for SECO Energy-owned and maintained lighting fixtures that operate from dusk to dawn for lighting of public or private thoroughfares, parking areas, homes, farms, or businesses will increase. The updated rates are published in SECO Energy's Rate Tariff. Under the new rate schedule, daily charges for Lighting Services will vary based on fixture type, size, and effective lumens.

For members requesting replacement, relocation, repositioning, or installation of one or more outdoor lighting fixtures and accessories, there will be an adjusted service charge of \$125.00 per trip. This service charge will be waived if these services are performed alongside new service activation, as the new service connection fee will cover related costs.

While the price of lighting service is increasing on May 1, we also want to alert you of another necessary price increase. Not only have lighting service rates remained steady for over a decade, but the rental price of poles has also remained unchanged. SECO Energy is proposing increases to pole rental charges that we plan to put into effect on October 1, 2024. Costs for poles, especially poles that support decorative-type fixtures, has risen even more dramatically than lighting fixtures.

As a member receiving this letter, your monthly billing amount for lighting service, both fixtures and poles, will increase significantly as a direct result of compounded material and labor cost escalation. SECO Energy will continue to maintain both the fixtures and poles and will respond quickly when a lighting malfunction is reported. Members can report lighting outages online through LightFinder which is a partner to our StormCenter platform. Most area light outages are repaired within 24 hours, even during weekend hours.



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SECO Energy's goal is to provide high-quality, innovative energy services and reliable, safe, and economical electric service. Energy rates and the cost of lighting service are designed not to make a profit but to reflect the costs of providing power and other related services. This tariff adjustment is necessary, and we want to assure you that your electricity rates will continue to remain competitive as we navigate similar cost pressures alongside other utilities in the area.

If you have any questions or concerns or want an estimated breakdown of the change's impact, feel free to contact me directly. I'm here to assist you in meeting your energy efficiency goals. We value your business and strive to be responsive to your need for reliable, affordable electric service.

Sincerely,

{Key Accounts Consultant Name}


{Email Address}

{Phone number}

**SECOEnergy.com**

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Our purpose is to provide exceptional service to our members, co-workers and communities.



## **Communication of proposed two-phased approach area lighting – June 14, 2024**

In late spring, SECO received approval from the Florida Public Services Commission (FPSC) to enact an increase in its area lighting rate tariff (fixtures and poles). This price increase applies only to outdoor or commercial lights, not residential electric rates. The cost of lighting services has increased steeply in the last few years. The price tag on everything SECO needs to sustain ~~safe lighting services, including fixtures, poles, photocells, bulbs, underground wire, labor,~~ interest costs, storage fees, our 24-hour area light outage response and inflation pressures, has increased dramatically.

SECO Energy members, your concerns and feedback with the significant price increase are crucial to us. We understand that this impacts your household and commercial budgets. Your voices have been heard by SECO Energy staff and its Board of Trustees, and we decided to re-evaluate the rollout schedule of the fee increase.

The Board of Trustees has approved a resubmittal to the FPSC to request a two-year phased approach to incorporate the pole rental rate increase. With FPSC approval, SECO will reduce the approved pole rental fee increase by 50%, effective October 1, 2024. In the second year, effective October 1, 2025, SECO will adopt the full pole rental increase fee that was previously approved. Before final Board of Trustees' adoption, this rate revision must be approved by the FPSC.

SECO Energy has planned for a systemwide cost of service study in 2025 to wholly evaluate our revenue requirements, cost causation, and the impact of SECO's strategic initiatives and potential grant funding. This study is part of our commitment to ensuring a stable and secure energy future for our members and communities.

SECO Energy is a not-for-profit electric cooperative that provides reliable, safe, and affordable electric service to 500,000 consumers every day. In 1938, SECO energized 400 homesteads in rural Sumter County, farms that larger investor-owned utilities deemed too expensive to serve. From its humble roots, SECO has positioned itself as a growing, dynamic, and innovative organization that is now the third-largest electric cooperative in Florida and the seventh-largest nationwide.

Yesterday, today, and tomorrow, SECO Energy is your reliable, trustworthy electric cooperative and community partner. Thank you for your SECO Energy membership.

SECO Energy's Board of Trustees

In many communities across our service area, SECO owns outdoor area lighting products. Area light services are provided through service agreements with the “governing bodies” of various communities, such as homeowners’ associations, community development districts, and municipalities; the fees charged for light service can be found in SECO Energy’s Rate Tariff. These products (the fixture, the pole, and any necessary transformers) are maintained and serviced by SECO. Maintenance and service-related activities include repairing, replacing, and storing necessary supplies to provide high quality area lighting service.

Over the past few years, costs for area lighting have increased. Accordingly, the fees for maintenance and equipment of the fixtures increased in May, and due to the potential impact of the increases needed to recover SECO’s cost for the poles and other equipment, SECO proposed delaying implementing the necessary increase for these services until October 2024. Upon further discussions with representatives from the governing bodies of the impacted communities, SECO devised and is implementing a two-year phase-in of the necessary increase. One half of the necessary increase will be implemented on October 1, 2024, and the remaining half will be implemented on October 1, 2025.

SECO has been working with community groups and the relevant governing bodies throughout this process to help them better understand the cost of services SECO provides with the fees collected.

We’ve collected a few common questions and answers here to help clarify the revised area lighting fee structure.

### **What is happening?**

– Due to the rapid growth of area lights deployed in an increasing number of communities we serve, SECO analyzed its costs by way of a recent cost of services study and determined that it was only recovering a small percentage of its costs to maintain area lighting. This under recovery of fees to cover SECO’s costs is being paid for by members who **are not** benefiting from the lights. To be more equitable to all our members, SECO must increase its fees for area lights to more accurately reflect its cost to members receiving the service. Since the fees are typically paid by HOAs, community development districts and municipalities, etc., members may see an increase in their HOA dues or maintenance assessment in your municipal tax bill.

### **Why is this increase happening now?**



-To rectify this 'cross subsidization' issue, SECO fulfilled its obligation to treat all its members equitably. SECO decided initially to delay implementing the increase until October 2024 to better align with budgeting cycles of affected governing bodies. Later after receiving feedback from community leaders, SECO approved implementing the increase over the next two years – the first half of the needed increase will be administered in October 2024 and the last half will be implemented in October 2025.

### **How will I be affected?**

- SECO does not determine how the affected HOAs, municipalities and community development districts will pass through the increase. However, you will likely see a change in your HOA dues or community maintenance fee. For the average homeowners this could amount to about \$5 per month.

### **Why can't it stay the way it is?**

- SECO is a member-owned, not-for-profit utility. This means that our customers are all SECO Energy members. We have a responsibility to all members to operate the utility as efficiently and as equitably as possible.
- SECO would not be operating in an equitable manner, if its fees and rates were enforced in a manner where some communities are subsidized by others, and it's not good accounting. The new approach means that everybody pays their fair share.

### **What are my options?**

- Nobody likes paying more for a service. We understand that. This change will ensure that all members are fairly paying for the services they enjoy, rather than paying for services enjoyed by others.
- We have listened to community leaders and local officials and determined that the two-year phase in approach is the best option for realigning member rate equity.

### **What are you doing to help?**

- After receiving feedback from members and community leaders, our team is implementing a two-year phase in to lessen the impact of the increase.
- SECO actively applies for federal grants to offset its capital cost for maintaining our electrical system and to keep pace with the rapid growth in the region. While we don't account for these

before we are sure of success, grant funding **could** provide relief by reducing SECO's cost. As a not-for-profit entity, any reduction in our costs is passed on to our members.

#### **How did we get here?**

- Central Florida is one of the fastest growing parts of the country. We are adding electric services and infrastructure, including area lighting, to meet this demand. We work with residential and commercial developers to provide the type and quality of lighting that will meet their design standards, and then maintain and repair those assets as a service.
- Over time, the cost of maintaining these area lights has grown significantly, without an increase in fees charged to the communities that collectively pay for them.
- We discovered the true extent of this difference earlier this year as part of a special cost of services study.

#### **What's next?**

- SECO is committed to maintaining a high level of member satisfaction, and we'll continue to work with you and your community to be sure the lines of communication stay open. SECO will continually monitor the cost of providing area lighting services and apply fees that are reflective of our cost.

#### **What will happen with the LED transition? Will that cost be included in this increase?**

- Yes. Due to federal regulations, we have begun converting our lighting system from high-pressure Sodium (HPS) to LED lighting. Generally, both historical costs and projected future costs are used in determining rates. Because of the federal mandate to transition to LED lighting and the sunset of HPS light manufacturing, SECO included anticipated LED lighting upfront cost, energy consumption and maintenance costs to determine the cost of service which support the determination of new area lighting fees.

The Department of Energy has produced several reports on efficiency and longevity of LED lighting. We are happy to direct you to these reports to learn more.

August 19, 2024

Kings Ridge Community Association Board (KRCA)

Chris Weiss, KRCA Treasurer

To all Kings Ridge Neighborhood Board Presidents, KRCA Representatives & Community Association Managers

### SECO Update

At the June 27 KRCA Board meeting Neighborhood Representatives were informed and requested to take information regarding the new SECO increase on light poles effective October 1, 2024, back to their respective Neighborhoods. At that time, it was unclear if the new cost would be 50% or the full amount approved by Florida Public Service Commission (FPSC). It was also unclear if the current SECO charge would remain or go away.

SECO was requested and expected to attend the KRCA Board meeting on Wednesday, August 28, 2024. Unfortunately, SECO representatives have informed KRCA, on Friday, August 16 early afternoon, they **will not** attend the KRCA Board meeting, hence the need for this notification.

Update from SECO as of Friday August 16, 2024: FPSC agreed to SECO passing through 50% of the new light pole cost on October 1, 2024, instead of the full amount which was approved by FPSC in June 2024. (Please see attached spreadsheet). The full amount that was approved will go into effect October 1, 2025.

Attached are four documents that have been received from SECO and have been requested to be shared with the Association. Herein is a brief description of each document.

**1) SECO Cost spreadsheet - KRCA and by Neighborhood**

- a. Locate your neighborhood on the attach spreadsheet – follow the line across
- b. Review the number under “(15) Fiberglass POLE”. Note KRCA has a mixture of poles: concrete, fiberglass & wood whereas the neighborhoods do not.
- c. Look for the column title “Estimated New Cost Phase 1: 50% Oct 2024”. The amount here is your neighborhood annual amount. Divide this number by 12 to get your monthly charge for SECO affective October 1, 2024. Again, the new charge starts in October 1, 2024.
- d. Next look at column title “Grand Total New Cost Phase 2: 100% Oct 2025”. This amount is the total annual amount for your neighborhood. Divide this number by 12 to get your monthly charge for SECO effective October 1, 2025.

- i. **NOTE:** Information shared at the June KRCA meeting was incorrect on the OLD POLE CHARGE. At that time KRCA -Officers and Finance Committee were informed by SECO that the old charge would be added to the new amount. On Friday August 16, we were informed that is not the case; only the new charge will be implemented and old charge goes away.

**2) "Communication of proposed two-phased approach area lighting"**

- a. June 14<sup>th</sup> letter from SECO Board of Trustees

**3) SECO FAQs**

- a. 3-page document from SECO addressing the increase

**4) SECO letter to KRCA**

- a. July 30<sup>th</sup> letter from Kathy Judkins (SECO, Manager of Community & Economic Development & Government Relations) that includes a QR code to the FAQs (#3)

Again, we have been informed that SECO would not be attending the August 28, 2024, KRCA Board meeting.

If, after reviewing the attached information, you or your Neighborhood still have questions please contact SECO representatives directly.

**SECO contacts:**

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Manger of Community and Economic Development & Government Relations  
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Kathy.judkins@secoenergy.com

Hank Bolduc  
Key Accounts Consultant  
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It should also be noted SECO Board of Trustees will meet on Monday **August 26, 2024**, at 2:30 PM in their corporate offices at 330 South US Hwy 301 in Sumterville. This meeting is open to the public. Mr. Scott Boyatt (SECO Vice President – sboyatt@secoenergy.com) is the Trustee for SECO District 1, which includes Kings Ridge and all our Neighborhoods.

Thank you,  
Chris Weiss  
KRCA – Treasurer

# AREA LIGHT FEE INCREASE INFORMATION SHEET



FIXTURE

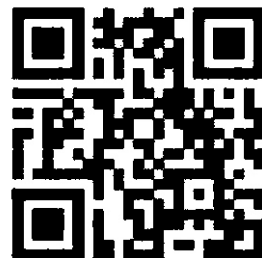
POLE

SECO Energy is your trusted, local, not-for-profit electric cooperative. We serve over 240,000 homes and businesses in seven Central Florida counties. Every day, 500,000 consumers are counting on us to deliver reliable, safe, and affordable electric service. SECO Energy has been a member of your local community for over 85 years and is one of the fastest growing electric cooperatives in the nation. We invest millions each year to build and maintain our state-of-the-art electric grid, so we stand ready to meet the increasing demand for safe and economical electric power.

SECO Energy proactively maintains thousands of outdoor area lights that illuminate streets and neighborhoods. In the interest of public safety and well-being, our crews strive to investigate and repair lighting outages and malfunctions within 24 hours after reported. Our response time is world-class among electric utilities. Nationally, utilities set a target repair time for lighting outages to be less than 30 days. SECO's interactive online tool called LightFinder allows members to report lighting outages or malfunctions quickly, thereby ensuring a faster response time and improved service.

As a member of a cooperatively structured utility, individuals and businesses share in the benefits and costs of SECO Energy through their energy purchases and additional energy services. Material and labor costs along with supply chain shortages, particularly in lighting fixtures and poles, have necessitated the need for SECO to increase the monthly rate for both the area lighting fixture and pole charge. SECO is conducting studies on how best to transition its lighting systems to more energy-efficient LED.

UNDERGROUND



# AREA LIGHT FEE INCREASE FAQs

In communities across our service area, SECO owns the outdoor area lighting and provides valued services through agreements with "governing bodies" such as homeowners' associations, community development districts, and municipalities. Area lighting systems (fixtures, poles, underground components) are maintained and serviced by SECO. Maintenance and service-related activities include repairing, replacing, and storing necessary supplies to provide high quality area lighting service.

Costs for area lighting components have increased. Accordingly, monthly fees for area light fixtures increased in May 2024. The monthly fee for poles is increasing in October 2024. Upon further member feedback, SECO is implementing a two-year phase-in cost increase for the pole service only. One half of the necessary pole increase will be implemented on October 1, 2024, and the remaining half will be implemented on October 1, 2025.

SECO has been working with community groups and the relevant governing bodies throughout this process to help them better understand the cost of services SECO provides with the fees collected.

We have answers to common questions about what this area lighting fee structure means for you.

## HOW WILL I BE AFFECTED?

SECO does not determine how HOAs, municipalities, and community development districts pass through service fee increases. However, you will likely see a change in your HOA dues or community maintenance fee. For homeowners, this could average about \$5 per month.

## WHAT IS HAPPENING?

Due to the rapid growth of area lights increasing in communities we serve, SECO analyzed costs by way of a recent cost-of-services study and determined it was only recovering a small percentage of costs for area lighting. This under recovery of fees is being paid for by members who are not benefiting from the lights. To be more equitable to all members, SECO must increase its fees for area lights to accurately reflect its cost to those who receive the service. Since the fees are typically paid by HOAs, community development districts, and municipalities, etc., members may see an increase in their HOA dues or maintenance assessment in municipal tax bills.

## WHY IS THIS INCREASE HAPPENING NOW?

To rectify this cross subsidization issue, SECO is fulfilling its obligation to treat all members equitably. SECO decided to delay the pole service fee increase until October 2024. After receiving feedback from community leaders, SECO approved implementing the pole service fee increase over the next two years. The first half of the needed increase will be administered in October 2024 and the last half will be implemented in October 2025.

## WHY CAN'T IT STAY THE WAY IT IS?

SECO is a member-owned, not-for-profit utility, a 501 c. This means our customers are all SECO Energy members. We have a responsibility to each member to operate the utility as efficiently and equitably as possible. SECO would not be operating in an equitable manner, if its fees and rates were enforced in a manner where some communities are subsidized by others - that's not good accounting. This fee increase means that everybody pays their fair share.

## WHAT ARE MY OPTIONS?

We understand no one likes paying more for a service. However, this change ensures members are paying for the services they enjoy rather than paying for services enjoyed by others. Communities may consider purchasing the lighting system and accept responsibility for area light repairs and maintenance. SECO Energy will meter kilowatt-hour consumption. This process will require multiple levels of regulatory approval and can be discussed further.

## WHAT ARE YOU DOING TO HELP?

After receiving feedback from members and community leaders, our team is implementing a two-year phase in to lessen the impact of the increase.

SECO actively applies for federal grants to offset its capital cost for maintaining our electrical system and to keep pace with the rapid growth in the region. Grant funding may provide relief by reducing SECO's cost. As a not-for-profit entity, any reduction in our costs benefits the entire membership.

## HOW DID WE GET HERE?

Central Florida is growing extremely fast. We are adding electric services and infrastructure, including area lighting, to meet this demand. We work with residential and commercial developers to provide the type and quality of lighting that will meet their design standards, and then maintain and repair those assets as a service.

Over time, the cost of maintaining area lights has grown significantly. Communities benefitted from years worth of reliable area lighting services without an increase in fees.

We discovered the true extent of this difference earlier this year as part of a special cost-of-services study.

## WHAT'S NEXT?

SECO is committed to maintaining a high level of member satisfaction, and we'll work with you and your community to be sure the lines of communication stay open. SECO will monitor the cost of providing area lighting services and apply fees that are reflective of our true cost.

## WHAT WILL HAPPEN WITH THE LED TRANSITION? WILL THAT COST BE INCLUDED IN THIS INCREASE?

Due to federal regulations, we have begun converting our lighting system from high-pressure Sodium (HPS) to LED. As a general rule, both historical costs and projected future costs are used in determining rates. Federal mandates require utilities to transition away from HPS to LED. SECO included anticipated LED lighting upfront costs, energy consumption, and maintenance costs when determining the cost of service to support new area lighting fees.

The Department of Energy has produced several reports on efficiency and longevity of LED lighting. We are happy to direct you to these reports to learn more.

# SPECIFIC QUESTIONS ASKED BY KINGS RIDGE NEIGHBORHOOD COMMUNITIES

**IF I READ ALL THE LEGALESE, THE BIG REASON FOR SUCH A BIG INCREASE IS TO SPREAD THE PAIN OF YOUR EXPANSION DUE TO THE NEW DEVELOPMENT IN YOUR SERVICE AREA. WHILE I UNDERSTAND YOU ARE A CO-OP, WOULD IT NOT STAND TO REASON THAT SINCE DEVELOPERS, MAKING HIGH PROFITS WITH ALL THE NEW BUILDING, BEAR THE BULK OF THESE COSTS, AS THEY DO WITH COUNTY INFRASTRUCTURE?**

SECO Energy is a not-for-profit electric cooperative that is owned by its members. As a cooperative, one of our seven cooperative principles is Members' Economic Participation. To explain further, members contribute equitably to, and democratically control, the capital of their cooperative. This principle captures the responsibility for the non-subsidization of rate classes.

During the development/planning stages of your neighborhood, the developer most likely chose the type of planned lighting. The lights in your neighborhood are decorative fixtures that are more costly to purchase, maintain, and repair – hence the need to increase the fee associated with both the lighting fixture and support pole.

Rate payers who live in areas outside of neighborhoods with planned decorative lighting, should not bear the cost of these fixtures (installation, repair, and maintenance).

Our rates are structured in such a way that each member is responsible for services that they request. This applies to the membership/neighborhoods that have requested SECO-owned and maintained lighting services.

**WILL THERE BE ANY ADDITIONAL CHARGES RELATED TO THE CONVERSION TO LED LIGHTS?**

SECO is in the process of changing existing fixtures on a rotational schedule. Area lighting rates are published in SECO Energy's current Rate Tariff and are subject to change with Board approval.

**IT APPEARS YOU WILL BE SWITCHING TO LEDS. ARE YOU JUST CHANGING THE LAMP AND DISCONNECTING THE BALLAST?**

The current plan is to change the entire fixture from HPS to LED. Our LED pilot data shows that retrofitting fixtures is often less than ideal and leads to higher maintenance and repair costs. Due to federal regulations, the high-pressure Sodium (HPS) lights will be discontinued and no longer manufactured as of December 2024. Federal mandates require utilities to transition away from HPS to LED. As a general rule, both historical cost and projected future cost are used to determine rates. SECO included anticipated LED lighting upfront cost, energy consumption, and maintenance costs when determining the cost of service to support new area lighting fees.

**AFTER YOU PUT IN THE LED'S LIGHT POLES HOW MUCH WILL THE ELECTRIC SAVINGS BE? (CURRENT WATTAGE USAGE FUTURE WATTAGE USAGE).**

The amount of electric savings varies based on fixture type and size. Standard engineered efficiency estimates were considered in the rate study conducted. The potential estimated annual energy savings range from 288-804 kWh per fixture.

**THE WAY I'M READING THE DOCUMENTS IS THAT THE NEW COSTS ARE NOT BEING ADDED TO THE CURRENT COSTS, BUT WILL BE OUR NEW ANNUAL COST AS OF OCTOBER 2024 THEN OCTOBER 2025, CORRECT?**

That is correct.

**WHY IS SECO CHANGING OUT THE POLES?**

SECO is not changing out any poles through this rate increase process.

**CAN (WHEN WILL) WE RECEIVE DETAILED INVOICES SEGREGATING ELECTRICITY USAGE AND POLE RENTAL COSTS?**

Detail and itemization of lighting services is not printed on the bill. The "lighting services" line item on the bill includes multiple components: light fixture cost, energy usage, pole cost and associated maintenance. We can discuss a future bill presentment change with our Billing team.

**WE HAVE BEEN REQUESTING AN ITEMIZATION OF THE SPECIFIC POLE NUMBERS BY NEIGHBORHOOD. WHEN WILL WE RECEIVE THIS INFORMATION? (MORGAN 8/1, CHRIS 8/12)**

During an in-person meeting on August 21, paper maps were provided, and an electronic version provided on August 22.

**WHAT OTHER OPTIONS ARE AVAILABLE TO THE NEIGHBORHOODS AND KINGS RIDGE?**

Option 1: Remain as is, the area lighting system is owned by SECO Energy. This ownership means that SECO Energy is responsible for maintaining, updating, and repairing the area lights in your neighborhood. Most area light repairs are completed within 24-hours from the time SECO is informed.

Option 2: Purchase the lighting system from SECO Energy. Your neighborhood then takes responsibility for all maintenance, updates, and repairs to fixtures, support poles, and underground line. SECO will meter the lighting system to bill for the monthly electric energy consumption and monthly customer charge. Purchasing the area lights will require multiple levels of regulatory approval (see question below for more information).

**SINCE WE'VE BEEN PAYING FOR THESE POLES FOR 20 PLUS YEARS, WHAT IS THEIR VALUE TODAY?**

This depends on the purpose of valuation. The value of electric plant to be sold or transferred, including lighting poles and fixtures, is determined with historical cost, age, depreciation and is calculating using the Handy Whitman index. For record keeping, net book value is calculated based on historical cost less depreciation.

**DOWN THE ROAD IF A NEIGHBORHOOD CHOOSES TO PURCHASE THE POLES WHAT WOULD THE COST BE?**

SECO supports the Kings Ridge efforts to find the best value for its area lighting services, even if that includes purchasing the lighting system from SECO Energy. For the Kings Ridge Neighborhoods to move forward with the purchase option, at a minimum, these steps must be followed:

1. SECO must obtain Board approval.
2. USDA Rural Utilities Services (RUS), that holds a mortgage on SECO's utility plant, must allow SECO to sell these assets since they are held as collateral on our note with the federal government.
3. Assuming items 1 & 2 are approved, the Kings Ridge Neighborhoods must initiate an acceptable valuation to determine a reasonable offer to purchase the assets from SECO.

**DOES THIS INCREASE CONTINUE BEYOND 2025?**

For now, the pole portion of the lighting service charge will be 50% of the increase provided with the initial estimate beginning October 1, 2024, followed by the implementation of the full amount on October 1, 2025. Beyond 2025, any rate increases will be dependent on future cost-of-services study analysis.