



January 23, 2015

STATEMENT FROM INDIAN RIVER SHORES MAYOR BRIAN BAREFOOT

Yesterday, reports and recommendations were released by Florida's Auditor General and the staff of the Public Service Commission (PSC) that are of interest to those who are following our Town's electric rate dispute with the City of Vero Beach.

The staff of the PSC issued recommendations regarding competing petitions filed by Indian River County and the City of Vero Beach, each of which is seeking declaratory statements regarding their rights and obligations upon expiration of their electric service franchise agreement in 2017. The PSC staff repeated its earlier recommendation to decline the County's request on procedural grounds, while also recommending that the PSC grant the City's petition.

Should the PSC follow its staff recommendation, it would confirm that the City has the right and obligation to continue providing service in the unincorporated areas of the County upon expiration of the franchise agreement.

It is important to repeat that **the PSC staff recommendation has no bearing on the lawsuit our Town has filed in circuit court**, and indeed the staff acknowledged this in its recommendation. The staff made clear that the City's petition does not concern or address the pending lawsuit, and cautioned that any declaratory statement issued by the PSC cannot be used as a means to attempt to obtain an administrative preemption over issues pending in the courts.

As I have said before, our lawsuit is fundamentally different than the County's filing. One of the key issues in our pending lawsuit is that, under Florida's Constitution and municipal law, the City does not have the extra-territorial powers to encroach and serve within the Town's corporate limits without the Town's consent. The PSC staff's recommendation on the County's petition recognized that such constitutional issues are reserved for the courts, not the PSC.

Also yesterday, the Auditor General's office released **preliminary findings from its operational audit of the Florida Municipal Power Agency (FMPA)**. Those findings, which you can view in their entirety on the Town website, suggest that FMPA has engaged in imprudent fuel hedging, investments and interest rate swaps that are inconsistent with industry practice, and which exposed its members, including Vero Beach, to excessive risk.

This goes to the heart of our dispute with the City. By abdicating its utility responsibilities to an unelected, unregulated agency like the FMPA, the City has exposed its customers to imprudent business practices that have resulted in unreasonable rates and unnecessary long-term risk. In light of these findings, it is our hope that the City will take the sale of its utility to FPL off of the "back burner" and work with FMPA to find a solution that will allow that sale to move forward.

Our lawsuit is in abatement until March 2, during which time the City has agreed to review opportunities to effectuate the sale of its electric system to FPL and to potentially lower its rates. Meanwhile, our Town will explore its options for providing reasonably-priced electricity to our citizens. Should we not reach a solution to our dispute with the City by March 2, we are prepared to move forward with litigation.

We remain committed to achieving long-term rate relief for our residents.