



Wednesday, August 12, 2015

The Honorable Dick Winger  
P. O. Box 1389  
Vero Beach, FL 32961-1389

Dear Mayor Winger,

For more than six years Florida Power and Light Company (“FPL”) has worked with the City of Vero Beach (“COVB” or “City”) towards the common goal of delivering lower electric bills to Vero Beach customers. In 2013, the City Council approved a Purchase and Sale Agreement (“PSA”) with FPL for its electric system, and City voters overwhelmingly supported the sale. Needless to say, we are disappointed that the sale remains stalled and we continue to believe strongly that the purchase of the entire City electric system is the best course of action for all customers.

Nevertheless, in our continuous effort to find solutions and alternatives to lowering bills and providing benefits to the greatest number of Vero Beach customers, and at the request of the Town of Indian River Shores (“Town”), FPL would like to submit this proposal to purchase the electric system of the Town. Since our initial meeting with you in May on the potential sale of the Town’s electric system, FPL has spent considerable time analyzing data from several sources and looked at various scenarios. We are excited by this opportunity, which provides benefits for all parties, and hope to engage in a constructive dialogue with you and the City Council regarding this proposal. We are also amenable to including the Town in that dialogue at the appropriate time.

The proposal is as follows:

FPL will pay the City \$13.0 million in cash with the following assumptions and considerations:

- FPL will acquire the COVB distribution assets (feeders, laterals and services) directly connected to the Town’s customers. It is our understanding no transmission level assets are present within the Town’s footprint.

- FPL assumes an execution date of October 1, 2015, and a close date of April 1, 2016. These dates are subject to approval by both the Federal Energy Regulatory Commission and the Florida Public Service Commission.
- It is estimated that it will take 28 months to properly integrate the Town's electric system into FPL's transmission grid.
- During this period between transaction close and the completion of transmission upgrades, FPL proposes to utilize the distribution and transmission assets of COVB to wheel power to the Town from FPL's transmission system. As compensation for providing these transmission services, FPL will pay COVB an additional monthly fee of \$25,000 (the fee was determined using a comparable wheeling approach if FPL was to provide the service). It is estimated this service would be provided for a period of approximately two (2) years with adjustment as needed due to the transmission work being performed by FPL to tie the Town into the FPL transmission system.
  - The route FPL analyzed for the wheeling starts at FPL's Emerson substation and transmits over the COVB/Fort Pierce 138kV line to Substation 20, then to Substation 8, Substation 11, Substation 10 and then finally to Substation 9.
  - FPL understands that because the power needs to flow from Emerson to Substation 20, we will need to utilize the 138kV line jointly owned by COVB and Fort Pierce and that Fort Pierce will need to be involved in these discussions.
- Further, to successfully integrate the Town's customers, FPL will need customer data to be provided by COVB. The specifics of the information will be negotiated between the parties and will be safeguarded by FPL in a manner similar to our existing 4.8 million customer accounts. All deposits held by COVB for the Town's customers would be returned to those customers upon closing. It is estimated the lead time required for Customer Service integration is approximately 6 months. This timeline could start as soon as an agreement is executed between the parties.

FPL feels it is important to explain the basis for our proposal. The current PSA between FPL and COVB provides for a cash offer and several other considerations. All totaled, the entire package of the PSA provides for approximately \$172 million in value to COVB. With a total COVB Electric Utilities customer count of approximately 34,000, the PSA provides for a price-to-customer purchase value of approximately \$5,050. However, the transmission upgrades and substation relocation embedded in the PSA should be considered system integration costs. Removing those two items from the value of the PSA leaves a purchase value of approximately \$4,500 per customer. The Town proposal contained herein similarly has separate components of value to COVB and integration costs. The cash component to COVB for the Town's assets is similarly \$4,500 per customer. In addition, there are significant transmission efforts that FPL must undertake in order to tie the Town's system into the FPL transmission grid. The more than \$12 million required for these required upgrades bring the total value of this transaction to approximately \$8,500 per customer.

The proposal contained herein is indicative and does not constitute a binding offer to purchase the assets of the Town. Purchase of the Town's system is contingent upon approval of FPL's Board of Directors and execution of definitive agreements. Our team has worked hard to craft a fair and reasonable proposal and we look forward to engaging in a constructive and productive discussion with the City Council, as well as the City Manager. Please do not hesitate to call me at (561)694-3510 or Amy Brunjes at (772) 337-7006 if you have any questions or wish to discuss.

Warmest regards,



Sam Forrest  
Vice President, Energy Marketing & Trading  
Florida Power & Light Company

CC: City of Vero Beach City Council Members  
James O'Connor, City of Vero Beach City Manager  
Wayne Coment, City of Vero Beach City Attorney  
The Honorable Brian Barefoot, Indian River Shores