

MAYOR  
BRIAN M. BAREFOOT

VICE MAYOR  
GERARD A. WEICK

COUNCIL:  
MICHAEL B. OCHSNER  
RICHARD M. HAVERLAND  
THOMAS F. SLATER



TOWN MANAGER  
ROBERT H. STABE, JR.

TOWN CLERK  
LAURA ALDRICH

TOWN ATTORNEY  
CHESTER CLEM

6001 Highway A1A, Indian River Shores, FL 32963  
PHONE: (772) 231-1771 FAX: (772) 231-4348

August 5, 2016

Mayor Jay Kramer  
City of Vero Beach  
1053 20th Place  
Vero Beach, Florida 32960

Dear Mayor Kramer,

On Tuesday, July 26, Florida Power & Light made a significant, \$30 million cash offer to purchase the electric system in our Town from the City of Vero Beach. Two days later, to demonstrate our commitment to a settlement, our Town Council voted to participate in FPL's offer by contributing \$3 million through an electric bill surcharge to be paid over a three-year period by our residents currently served by the City.

Yesterday, FPL formalized its offer in a letter to you. Using the City's own rate impact model, FPL provided a detailed financial analysis that clearly shows that the immediate cash infusion of \$30 million will more than cover the City's long-term costs and contingent liabilities, and protect the City's remaining ratepayers. Our consultants believe that FPL's financial analysis is conservative and actually overstates the net present value (NPV) rate impact on remaining City customers. Two factors, not included in FPL's analysis, illustrate this point.

- First, the City's analysis assumes that the City should be entitled to guaranteed "profit" from customers in the Town for 30 years after those customers depart the City's system. Taking this approach would lock in so-called "profits" for 30 years with no corresponding efforts being made or costs being incurred by the City to earn these "profits." It also assumes that the City will operate for the next 30 years as though it is still serving customers in the Town, rather than scaling its operations to account for a smaller customer base. As you can imagine, my constituents struggle to understand why there should be "profits" paid to the City when the City would no longer be expending any incremental costs to serve them, nor would the City have any remaining investment in assets in the Town dedicated to serve them. By changing this 30 year "profit" guarantee to 5 years, which seems to be a reasonable transition period for the City to adjust and efficiently manage its operations, the NPV rate impact would be reduced by another \$ 7.7 million dollars.
- Second, FPL's analysis does not attempt to address the continued level of savings that the City would achieve by settling the unique legal dispute between the City and the Shores that has been ongoing for several years now. Although the City's consultants do not account for this litigation cost savings in their most recent financial analysis, they previously identified a savings of \$900,000. There is no doubt that settlement provides substantial benefits in the form of litigation savings and avoided costs related

to our Town's regulatory ordinance that has been temporarily suspended to facilitate these settlement negotiations. Conservatively taking into account just one-ninth of the previously identified litigation savings (\$100,000) would further reduce the NPV rate impact by approximately \$2 million.

Just taking these two factors into account, FPL's NPV rate impact calculations would decrease by approximately \$10 million. Thus, we believe that FPL's \$30 million cash offer provides a reserve in excess of \$12 million which could provide substantial benefits to the City's remaining customers and more than cover any contingent liability the City may have in the future arising from the sale of the system in the Town.

I and my fellow Council members strongly believe that FPL has made a serious offer that addresses concerns raised by you and other City leaders about keeping Vero Beach's remaining customers whole. Equally important, it offers an opportunity for our two municipalities to work in good faith toward a resolution of our dispute and avoid future litigation costs, as recommended by the Public Service Commission Chair in July.


FPL's offer is substantial, and amounts to an investment of approximately \$10,000 per customer. To put the offer in perspective, on a price per customer basis, it more than doubles the highest sales price of all the other electric utility sales transactions depicted in section 6 of the nationwide survey of comparable sales conducted by the City's consultant, GAI Consultants. And, the offer more than triples the highest sales price of all of the Florida electric utility sales transactions in that survey. The nationwide survey is on the City's website and can be viewed [here](#).

The people in both of our communities should know that we never would have had this opportunity without your leadership, and on behalf of our residents I wish to thank you for suggesting the meeting at which FPL's offer was made. Several years ago, you were among the first to suggest the potential for a partial sale, and today it looks as though that vision could become a reality.

This has become an emotional issue for people in both our communities. But an objective review of this offer shows it to be a tremendous opportunity for the City, our Town, and for FPL customers. It will provide more than enough funds to cover the City's long-term obligations and protect the City's remaining customers. It will allow us to resolve our legal dispute before the PSC and avoid additional litigation costs. And it will allow us to move beyond this emotionally charged issue and work together for the common good as neighbors.

It is clear that the FPL offer was well-researched, and that it is backed by a serious and thorough financial analysis. I encourage you and your fellow Council members to give this offer serious consideration at your August 16 meeting.

Sincerely,



Brian M. Barefoot, Mayor

Town of Indian River Shores

cc: City Council Members  
Jim O'Connor, City Manager  
Wayne Coment, City Attorney  
Town Council Members  
Robert Stabe, Town Manager  
Chester Clem, Town Attorney