

Statement for October 28, 2014 Resolution Meeting by Richard Winger, Mayor of Vero Beach

I shall not need 15 minutes to read this prepared statement, because from my long career in corporate management, I have learned to leave the detail to those in charge—our Attorneys and City Manager. Furthermore, if this dispute regrettably goes to court, I am aware absolute accuracy is an imperative, so with their better command, I defer questions to them.

With that said, I would like to make five points:

1. This year, the City in January had a 1.2% rate reduction and in June another 4.2% reduction, reflecting our 2014 commitment to lower rates as much as possible, ASAP. The City has, in the works, a Rate Sufficiency Study, an Optimization (Efficiency) Study, and could reverse the policy of using cash from rates to fund long term investment. I am confident that some, or all, of these potential actions will result in similar modest rate reductions. These actions have not been quantified, so are not on the table today; other than I can tell you, they will happen and yield further and cumulative rate relief. Quite simply put, as long as we were all confident we could quickly complete the sale to FPL, we focused on the sale rather than reducing rates. While we remain committed to the sale, unfortunately given the current facts, we are pessimistic that it can occur. Therefore, we chose to act as we best can and reduce rates concurrently with the sales effort.
2. The key element in the FPL sale is finding a buyer for the 40% of our expensive power we must take or pay for from FMPA under contracts starting in 1981. We had such a buyer until June, when OUC withdrew. The decisions to buy FMPA wholesale power including 1981, 1983, and 1991 were made to meet the new 1980's surge in demand from South Beach, John's Island and other County growth—power only available from Vero Electric. We can find no other buyer for these FMPA contracts, said to have a significant negative value, well in excess of \$100 million. The City's two legal teams, FPL, the City, the Commissions and the public have not come up with another approach, although we all continue diligently to search. There are those that have said we just might fight on, but they have brought nothing substantive to the table, except what we have already tried and a lot of hyperbole. Remember these FMPA contracts were validated by the Florida Courts. Anyway, such stand and fight tactics, with neither a voiced strategy or proposed legal course, and a concurrent decision to delay rate reductions, commit us to probable millions more in legal expense, years of status quo, and continuing power costs significantly higher than they need be. Rate reductions and an FPL sale are not mutually elusive, as some would like you to believe.
3. In April 2008, we entered yet another long-term contract with OUC for the remaining 60% of our power, which took effect January 1, 2010, and expires in December 2029. While I personally don't believe in long-term commodity contracts, because the markets constantly change, the City voluntarily entered this contract. While considerably cheaper than FMPA power, this OUC power is now at a significant premium to market. On July 14th of this year, our partners at FPL and OUC agreed we could negotiate lower costs against this OUC contract while maintaining the FPL Sales Agreement in force until December 2016. On the face of it, we are still contracted to OUC until December 2029, but OUC has voluntarily offered proposed reductions in cost over those years. OUC does not have to give us new competitive wholesale market rates and could hold us to the 2008 contract. This is not a finished deal, but does represent an opportunity to negotiate significant rate reductions over whatever is the term. This is important because this 60% of our load is the only area to make a potential double-digit reduction in rates. The 40% FMPA power will remain much over market and has to be averaged in. But, I have always felt lower rates, especially if these put us firmly in the bottom half of all Florida power vendors, are

good. At the same time, we will not achieve FPL rates, unless and, until we can close that very problematic FPL sale, which we cannot do unless, and until we solve the FMPA contract dilemma. Any honest person has to say, solving the FMPA obligations and closing with FPL, is at best long odds.

4. I personally have been talking about a Power Authority, representing all of our customers, and the City has been begun the initial work for Council and Community vetting and approval, if that is still something of interest to Indian River Shores and Indian River County.
5. If the parties desire a referendum of named customers to validate any decisions, the City has worked out a mechanism for that to occur, which I personally support, if it is supported by Council, Indian River Shores and Indian River County.

It is regrettable we have this situation, pitting the people outside the City against the City residents and businesses. The City Manager has said without the outside City customers, City residents face about a 30% power rate increase (while not receiving a potential 10% reduction with more competitive OUC power), and a 50% city tax increase. But we are more than hopeful that reasonable people can band together to achieve the goal we all want, which is lower power rates for everyone; equally, without hurting one group to profit another. That means to me, what this court case seems to seek, is to hurt the business and working people of the City, to benefit non-City residents. This is something I stand against.

That concludes my comments, and I will defer questions to Legal Council and City Management.