

VERO BEACH UTILITIES COMMISSION MEETING
Tuesday, September 13, 2016 – 9:00 a.m.
City Hall, Council Chambers, Vero Beach, Florida

AMENDED AGENDA

- 1. CALL TO ORDER**
- 2. PRELIMINARY MATTERS**
 - A) Approval of Minutes**
 - 1. August 9, 2016**
 - B) Agenda Additions, Deletions, and Adoption**
- 3. PUBLIC COMMENT**
- 4. NEW BUSINESS**
 - A) Review of cost of legal counsel (outside attorneys and City staff) for electric matters for both current and previous fiscal year figures. Present projection for the coming fiscal year. – Ms. Cynthia Lawson**
 - B) Update on progress of STEP System – Mr. Rob Bolton**
 - C) Discussion of installation of STEP System (Canopied Streets) with regard to proposed change in Code Sec. 71.14 Rights-of-Way required to be improved – Mr. Rob Bolton**
 - D) Emergency preparation for water and wastewater treatment systems with reference to the standards of the EIS Council as stated in its “Black Sky” Handbook – Mr. Rob Bolton**
 - E) Update on meeting of FMPA, FPL, City, and County. Other FMPA matters. – Mr. James O’Connor**
- 5. OLD BUSINESS**
 - A) Follow-up to presentation by Dr. Widder of Ocean Research & Conservation Association (ORCA) regarding Kilroy Monitoring System – Mr. George Baczynski**
- 6. CHAIRMAN’S MATTERS**
 - A) Distribution of information by the City Clerk’s office**
- 7. MEMBER’S MATTERS**
- 8. ADJOURNMENT**

This is a Public Meeting. Should any interested party seek to appeal any decision made by the Commission with respect to any matter considered at such meeting or hearing, he will need a record of the proceedings and that, for such purpose he may need to ensure that a record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. Anyone who needs a special accommodation for this meeting may contact the City's Americans with Disabilities Act (ADA) Coordinator at 978-4920 at least 48 hours in advance of the meeting.

VERO BEACH UTILITIES COMMISSION MINUTES

Tuesday, August 9, 2016 – 9:00 a.m.

City Hall, Council Chambers, Vero Beach, Florida

PRESENT: Chairwoman, Laura Moss; Vice Chairman/Indian River Shores Representative, Robert Auwaerter; Members: J. Rock Tonkel, Stephen Lapointe and Chuck Mechling **Also Present:** City Manager, James O'Connor; Utilities Director, Ted Fletcher and Deputy City Clerk, Sherri Philo

Excused Absences: George Baczynski, Judy Orcutt, and Bill Teston

1. CALL TO ORDER

Today's meeting was called to order at 9:00 a.m.

2. PRELIMINARY MATTERS

A) Approval of Minutes

1. July 12, 2016

Mrs. Moss referred to the second to the last paragraph on page two (2) of the July 12, 2016 Utilities Commission minutes where it states, "*The City does establish the rate and does not keep the money.*" She said it should state, "*The City does **not** establish the rate and does not keep the money.*" Mrs. Moss then referred to the second paragraph under Member's Matters on page 10 where it states, "*Mr. Baczynski said in a recent the FMPA report ...*" She said the word "**the**" should be deleted from the statement.

Mr. Tonkel made a motion to approve the minutes of the July 12, 2016 Utilities Commission meeting as amended. Mr. Mechling the motion and it passed unanimously.

B) Agenda Additions, Deletions, and Adoption

Mr. Mechling made a motion to adopt today's agenda as written. Mr. Tonkel seconded the motion and it passed unanimously.

3. PUBLIC COMMENT

None

4. NEW BUSINESS

- A) **Charles Callahan, M.D., Specialist in Infectious Disease - Presentation Regarding the Water Quality of the Indian River Lagoon as a Health-Related Concern with Specific Reference to Vibrio Vulnificus (Bacteria) and Toxic Algae. Vibrio with Emphasis upon Prevention of Infection and Proper Treatment when Infection has Occurred and Toxic Algae with Emphasis upon the Nature of the Toxin, Treatment, and Prognosis.**

Mrs. Moss gave a short bio of Dr. Charles Callahan's experience.

Dr. Charles Callahan, Specialist in Infectious Disease at Indian River Medical Center, gave a report on the Indian River County Water Quality Issues 2016 (attached to the original minutes).

Mrs. Moss asked if Indian River Medical Center is currently monitoring the situation. She said they have not had to close any beaches or taken any of those special measures, but it has occurred south of them.

Dr. Callahan said that they don't monitor this. The Health Department would be the ones to respond and if there was an issue the Health Department would make them aware of it. He said they are very cognizant of their water supply as they have had issues in the past with their chillers and air-conditioners at the hospital. He said they are currently in the process of doing a water management overhaul, mostly in response to those issues as well as the potential risk for water carrying pathogens which are becoming a very big issue in hospitals. They are looking at ways to reduce their liability and risk by monitoring their water more carefully.

Mrs. Moss said that she read Vibrio is a naturally occurring bacteria.

Dr. Callahan said Vibrio Colera and Vibrio Volnificans are the two that are most commonly known. He said they can live in shellfish and oysters.

Mr. Lapointe said that he was interested in absolute rates per capita and rates of change regarding bacterial pathogens. He said it was stated in today's presentation that they see the "Fish Handler's Disease" is very common and then stated that they see two (2) to three (3) cases a year. He asked is that considered common.

Dr. Callahan answered yes. He said Micro-bacteria Marinum is what he is referring to and it can occur in salt water and it could occur with people who maintain salt water aquariums. He said it is a fairly common pathogen and mostly due to trauma caused by cuts from barnacles, etc.

Mr. Lapointe explained that he was referring to the rate of occurrences and rate of change.

Dr. Callahan said it would be impossible to know what the rate of change is because they don't routinely measure pathogens in any water system, which is one of the big weaknesses they have in the United States.

Mr. Lapointe said that he was not talking about measuring the pathogen, but measuring the cases of infection.

Dr. Callahan explained that Micro-bacteria Marinum was not a reportable disease. He said Salmonella Fibrio is probably the most well measured because it is a reportable disease. He reported that in the past 10 years there were probably about 650 cases in the State of Florida, about 7,000 nationwide, and overall there has been an increase when compared to other areas.

Mr. Lapointe asked from the laundry list of pathogens (listed on page one (1) of the Indian River County Water Quality Issues 2016), which seem to be increasing in the number of human incidents.

Dr. Callahan said Campylobacter, which is another infection that occurs mostly from infected produce, but can be in the water. Others include Campylobacter affiliated Shigella, Salmonella, Cryptosporidium, and Vibrio, which are all on the uptake compared to 20 or 30 years ago. Some of them could be increasing because of their improved ability to measure them.

Mr. Tonkel asked is there any organized effort underway at the State or local level to grasp the significance. He asked what are some measures that should be taken. He felt that it would make sense to have some form of organized approach to study the implications.

Dr. Callahan said not to his knowledge. He thought that people were starting to talk about it as they are starting to realize that these are problems they are going to be facing in the future. He felt the first step would be to come up with a comprehensive way to measure them.

Mrs. Moss asked Dr. Callahan if he had any advice.

Dr. Callahan said if someone has any underlying chronic medical problems, such as a liver problem, they need to avoid eating raw seafood and if they get a cut or scrape while in the river they need to tend to it right away. If they have any type of symptoms at all they need to contact their healthcare provider and tell them their exposure because a cut from the river is viewed differently than a cut from something else, such as slipping in their bathroom.

At this time, the Chairman opened the meeting for public comments.

Mr. Layne Sikes said that he did not have a question for Dr. Callahan, but would like to address Mr. Tonkel's question as to what could be done right now. He said that he has been working on a project for the last few years, which he calls "Filter Florida." He explained that they need to filter all the water before it enters into any of the environmentally sensitive areas or estuaries. He said there are a lot of missed numbers surrounding the water quality issues and one of the biggest contributors to all the pollution entering Lake Okeechobee and is fueling the massive algae blooms is polluted water coming from urbanized areas north of Lake Okeechobee through the Kissimmee River. He said they need to put the filter devices (Filter-Florida) at strategic locations and be able to clean the water before it enters the lake and as it leaves the lake. He said they could do the same thing locally on a smaller scale. He said in a major rain event, such as they have had the past few days, it takes five (5) hours for the water from 58th Avenue to make it into the Lagoon and there is a host of pollutants that make it into the Lagoon. He said they need to be filtering the water. It is the only smart move they have where they can actually prepare for all of the other factors that cause pollution. He said best management practices are great, but at the end of the day they need a "fail safe" and the "fail safe" is to filter the water and clean it before it enters our natural resources.

Dr. Callahan said with regards to filtration, a British study showed that activated charcoal is the only thing deemed effective enough to remove the phosphates adequately from the water system. He said filtration is a great idea and they are looking at it as a point of source. He said Indian River Medical Center has very small filters (submicron filters) that have to be replaced about every 60 days and they cost about \$50 dollars each. He agreed that would be the optimal way to go, but felt the technology and costs were up in the air with regards to the large amount of water they are talking about. He said it is extremely complicated and very expensive when filtering millions of gallons of water a day.

B) Partial Sale: Indian River Shores Customers from Vero Electric to Florida Power and Light (FPL) - Review of Most Recent Information

Mrs. Moss said the Commission is charged with representing and considering all utility customers of the City including City and non-City residents alike. She reported that on November 6, 1986 Indian River Shores (IRS) signed a 30-year contract assigning to the City of Vero Beach and electric franchise. The agreement was renewable requiring the parties to give a five (5) year notice, which would have been in 2011. No notice of renewing was given by either party so the contract will expire on November 6, 2016. She said FPL has currently offered the City \$30 million dollars for the City's customers of IRS. She said overall, the context for considering the sale is favorable in that the City voted in favor of the sale of the entire system years ago and the current Mayor proposed a partial sale in 2010. She said the Florida Municipal Power Agency (FMPA), which usually is cited as a stumbling block to any kind of sale, appears to be more amiable to change. She reported that Mr. Dylan Reingold, Indian River County Attorney, scheduled a meeting with FMPA, Indian River County, FPL, and the City next Wednesday to decide how to move forward in the future.

Mr. James O'Connor, City Manager, handed out to the Commission members a letter that was received this morning from Mr. Sam Forrest, Vice President – Energy Marketing and Trading for FPL (attached to the original minutes). He said there was a meeting with FPL to discuss the sale of the IRS system, i.e., the assets that are within IRS with the exclusion of the substation that is located on the south end. The direction that he and Mr. Schef Wright, Attorney, received from the City Council was that they not negotiate. He said that he did not negotiate, but did ask for clarification in which FPL sent the letter that they received this morning. He noted that he has not had time to fully review the letter, but the bottom line is that the 138kV transmission system and the substation issues are off the table. They have confined this to the purchase of the customers of IRS and the \$30 million dollar bracket. He reported that FPL has challenged some of the assumptions that Mr. Wright and his team put together as to how they arrived at the \$42.4 million dollars, which was the City's proposal. He said that he told FPL during their discussion that what they were talking about was shifting of risk and what is tolerable for the City as to what risk changes the City would be willing to take, not only the City but their outside customers other than IRS. He reported that this would be presented to the City Council at their August 16th meeting. He noted that there is a deadline date of August 25, 2016, which only gives the City about 16 days, which he felt would be a major challenge.

Mrs. Amy Brunjes, External Affairs Regional Manager of FPL, said that their offer, other than the revision sent this morning, was straight forward in that they did decide to remove consideration of the transmission assets as requested by the City. She said it is a straight

\$30 million dollar offer for the customers of IRS, as well as the distribution assets, which is outlined in this morning's letter. She said they are asking the City Council to consider their offer at their August 16th meeting. She said they have spent a tremendous amount of time and resources on this and feel this was a very fair offer. She noted that their original offer was \$13.6 million dollars. She said they do believe it is a fair offer, it protects the City's customers, and is a win/win for all parties. She said they did impose a deadline on the offer because they have been at this long enough. She asked the Commission to encourage the City Council that this be moved forward to a decision in an expeditious manner.

Mrs. Moss said originally a \$13 million dollar offer was made and an evaluation was set by the City at about \$64 million dollars, which was very far apart. Now the numbers are a lot closer at \$30 million dollars and \$42.4 million dollars. She asked Mrs. Brunjes to explain how FPL came up with \$30 million dollars and how the City came up with \$42.4 million dollars.

Mrs. Brunjes said FPL did start with \$42.4 million dollars as that was what the City wanted for the system. One thing FPL challenged was the escalation of the City's expenses. She said the City modeled it at 3% escalation of expenses every year over a 30 year period. She said that would definitely create some pressure on customer bills going forward. At the same time, the City based the sales growth at .5% annually. FPL is suggesting that if they change the escalation for the City's expenses to 2.5% to be consistent with revenue growth that would change the net present value to \$36.8 million dollars. She said the City's model assumes a reduction in expenses of 7.1% for Non-Departmental expenses and 3.8% for Electric Fund expenses, which is a step in the right direction because expenses will go down. She said by changing the 7.1% to 8.7%, which is consistent with IRS customer base, after five (5) years it would bring the net present value down further to \$27.5 million dollars, which is \$2.5 million dollars below FPL's offer. That \$2.5 million dollars would be for any contingent liabilities or reserves that the City feels they need. She said FPL made an offer based on the sale price in what they feel is a fair price. They have spent a lot of time and both the City and FPL has said they are not going to negotiate.

Mr. Auwaerter said that he did his own independent analysis, separate from FPL. He handed out to the Commission members two (2) pages of backup material on his analysis (attached to the original minutes).

Mr. Lapointe asked how was the deadline of August 25, 2016 arrived at.

Mrs. Brunjes said to take any politics out of the consideration in that the offer would be decided on its merits. She said it is time to make a decision.

At this time, Mr. Auwaerter explained the spreadsheet that he handed out was put together by Mr. Bill Harrington and Mr. Schef Wright, Attorneys for the City, that has details regarding the *General Fund Transfer, Electric Debt Service, Non-Departmental Expenses, and Electric Fund Expenses* that shows both with and without Indian River Shores. He took those numbers and made some relatively modest changes that doesn't put the City at risk and shows that the offer from FPL is fair. His first assumption was the *Non-Departmental expenses and Electric Fund expenses* would only grow at 2% rate, rather than 3% each year. He said initially Mr. Wright's analysis made a one (1) time cut

of *Non-Departmental expenses* of 7.1% and *Electric Fund expenses* of 3.8%. If they look down in red under *Without Indian River Shores, Savings from Sale* what he did was for the first three (3) years they would go with the City's assumption of 7.1% and then in the fourth year they would drop by 8.7%, which is the share of the IRS customer revenues. Similarly with the *Electric Fund expenses*, he gave the City three (3) years to adjust their expenses dropping them from 3.8% to 8.7%. Just making those three (3) modest changes, the present value of revenue, what he calls "the shortfall needed to make everyone whole" for 30-years drops down to \$25,058,286 dollars. He said in this analysis, it does not make any adjustment to profit transfer, return on investment, or whatever they want to call it. All the changes up top remain the same. If they look at the General Fund Transfer *With Indian River Shores* in the model it represents 6% of revenues. If they look under *Without Indian River Shores* they would see that the numbers are exactly the same. Therefore, the impact to the City's General Fund expenses were not touched at all by the changes that he made to the model. It actually shows a growth in the profit transfer, return on investment, or whatever term they want to use, over the entire model. He then briefly went over the second handout, *Partial Sale of VB Electric Assets Supporting Indian River Shores Present Value Analysis* with the Commission members. He felt that the changes made were reasonable. He then gave a brief overview of a third handout that he gave the Commission members, *City of Vero Beach Electric System Potential Use of Sales Proceeds of Assets that Support Indian River Shores Customers* (attached to the original minutes).

Mr. Tonkel thanked Mr. Auwaerter for the work that he did. He felt that the assumptions made were very reasonable and defensible.

Mr. Mark Mucher said it was his understanding that the \$30 million dollars would be put into the Electric Fund. If that is the case, it would seem that it would have some impact on lowering rates.

Mr. Layne Sikes said when the City of Vero Beach transfers funds from the Electric Utility and revenue to the General Fund on the backs of ratepayers living outside the City limits is without argument taxation without representation. They can all agree that FPL offers lower rates than FMPA, OUC, and the City of Vero Beach is able to offer. FPL has a standing offer, not only for a partial sale, but to purchase the entire electric system. He said in 2011 FPL offered to the City what amounted to about \$3,000 dollars per customer for the partial sale. This current offer is over three (3) times that amount. He hoped that the Commission would send to the City Council a strongly worded recommendation for this offer with a copy sent to the President of the Florida Senate, the Speaker of the House, as well as members of the Joint Legislative Auditing Committee. He said the politicizing of the issues has got to stop. This is a fair offer and almost single handedly solves the financial crater that the City finds itself in and it is the first step in selling the entire electric system to FPL.

Mr. Harry Howle, Councilmember, thanked Mr. Auwaerter for his analysis. He then read a prepared statement. He said that he heard rumors that some people might want an impact study on the offer. He said that he could tell them the impact without a study. He said the City is tens of millions of dollars in the hole as a result of unfunded pension liabilities. He said they have an offer on the table that will relieve their neighbors of extremely harsh electric rates above and beyond what they would be paying to FPL. He said they could undo 30 years of poor planning in one (1) action. If they plan properly

they could turn a train wreck into a flower garden almost overnight. In addition, discretionary spending habits would lead to an improved local economy. Less money spent on fixed expenses means more money spent on dinners, plays at Riverside Theatre, etc. He said this offer was not a political football and they shouldn't allow it to be treated as such. It is a clear solution for the future of the City of Vero Beach. He said they are three (3) years shy of the City's 100th Anniversary and it would be a travesty to still be hearing whispers of bankruptcy when they could be discussing celebrations and plans for the next 100 years. He encouraged anyone present for today's meeting or watching it on television to show up at Tuesday's City Council meeting in favor and support of this offer. He said they must accept this offer now and hope that it is followed by the sale of the entire system. His vision is that one day in the near future there would be lower taxes and this offer is the first step in doing so.

Mr. Robert Stabe, Town Manager of IRS, said one area that was not discussed today is that by accepting this offer, the City could enjoy the litigation expenses alone. In the City's original analysis, they indicated a cost of about \$900,000 dollars in litigation expenses that could be saved. In their revised analysis they no longer included that. However, if they took that \$900,000 dollars and reduced it down to \$100,000 dollars in savings, the effect that has on the net present value is nearly \$2 million dollars. More importantly, this has been ongoing for a number of years and has become an emotionally charged issue for residents of IRS and in the City. He felt this transaction would benefit everyone involved and put an end to litigation and allow them to start rebuilding their relationship as neighboring municipalities.

Mr. Glenn Heran felt that Mr. Howle and Mr. Sike's points were right on. He said this is a terrific offer. It is almost twice what the last offer was. More importantly, the City needs the cash. The City's pensions are under water and they haven't even been looking at OPEB liabilities. He said that Mr. Mucher mentioned that there is a possibility that the \$30 million dollars would stay in the Enterprise Fund. Mr. Heran said to his knowledge the City is unregulated on how much they can transfer from the Enterprise Fund to the General Fund. Even if the City did this over a period of time, they would be able to fund the pension and OPEB costs that are underwater. He said there is no need for delay. They know this is a terrific offer and this issue has been studied to death. They have been doing this for eight (8) years. In addition to the cash, it finally sets the City on the path of selling. The electric business is a failed business and it will continue to fail. They will not be able to compete with FPL. He said that he has been tracking the electric rates and for the past 16 years there has never been a time where the City could compete with FPL. At some point, the City has to get off the train and this will be a representation of the City's commitment to doing just that. They would be doing what the City's voters chose to do back in 2013, which is to sell the entire system.

Mr. Peter Gorry, Chairman of the Finance Commission, noted that he was not speaking today on behalf of the Finance Commission. He said it has been eight (8) years of them trying to understand a contract and trying to execute a contract. He said the feeling that there is no issue with FMPA is not good enough for him. He felt that they should be cautious before they recommend a date certain to sell without understanding what the total risks are. He said the gap between the \$30 million dollars and the \$42 million dollars could potentially be a difference in rates that would have to be made up. He said the kWh usage for everyone except IRS, is an average of 960 kWh per month. The average with IRS is 1,060 kWh. IRS's usage per meter is 1,300 kWh. He said as they

know, there is an escalator in the tiers once they go over 1,000 kWh. Therefore, they are taking the top revenue producers, which has to be made up. All he was saying was that they need to be very cautious and not have a “feeling” about FMPA, but something in writing on all the potential risks.

Mrs. Moss said that she doesn’t have a “feeling” about FMPA. It is a fact that FMPA approached Mr. Reingold, Indian River County Attorney, to have a conversation. She said the State Audit uncovered that FMPA lost \$250 million dollars engaging with practices inconsistent with industry standard.

Mr. Gorry said because of the uncertainty of the contract with FMPA, they need to have something in writing before they go forward and accept an offer.

Mr. Auwaerter said they can get to the point where there is paralysis by analysis. In his analysis, he utilized Mr. Wright and Mr. Harrington’s analysis. If they look at the numbers going out into the future, they showed some fairly hefty rises in costs per megawatt hour. He said some higher costs are built in and in spite of that, the deal still makes sense. They could all discuss the escalator on what is appropriate, but he felt that he put out some good facts as to why the escalator should be at 2%. He said that he made some very modest changes, but more importantly the 6% of revenues was not touched in his analysis. He felt that this deal made sense.

Mr. Harry Howle, Councilmember, said this does not need to be a political football that they punt around. At some point the deal has to be completed, whether it is a yes or a no. But, if they want to look at this from a philosophical standpoint, they have a group of people that are essentially being held hostage. They are being taxed without representation, which to him is completely un-American. He said the \$30 million dollars would help the City and their citizens get through some high hurdles that they created on their own.

Mr. Mechling asked if there has been any discussions with FMPA.

Mr. O’Connor said FMPA verbally stated that they did not think there would be a problem with this transfer of approximately 10% of the City’s customer base. But, that is verbal and they obviously would have to have it documented.

Mr. Tony Young said that he has given a lot of consideration to this partial sale. What concerned him most and what he would ask the Commission to do is step back and think about what are the larger implications. One of the implications is that they are showing preference for a wealthy neighborhood (IRS). People who live on Oslo Road would not be able to come to the City and use attorney’s to represent them if they didn’t like the rates. But, IRS has a good case and this might be a good offer, financially speaking. But, he has had people come to him and threaten the City with bankruptcy by incrementally attacking the City Electric Utilities. He takes this as a serious concern. He asked the Commission members to look at the implications. He said maybe the right answer now is to go back and look at the entire sale as opposed to just the sale of IRS. Some concerns were made about the financial circumstances of the City, but it depends on what their perspective is. The reserves of the City are quite substantial so it can be said that the City is not in dire need. They could look at OPEB as an accounting measure that is roughly new. This is not a simple analysis that should be made in haste.

Mr. Auwaerter referred to the threat to the City of bankruptcy. He said that he knows municipal bankruptcy well and no one can take a municipality into bankruptcy unless the municipality wants to do it. It is not like a corporation where they could be forced into bankruptcy. If someone made that comment to Mr. Young, they are completely uninformed and have no idea how the laws work. He said no one is thinking of bankruptcy. In fact, this deal as he laid it out, to try to plug some retirement related pension and OPEB gaps would make the City a stronger entity from a financial perspective.

Mrs. Moss said regarding the comment of “class” preference a survey was sent to all the City’s customers including the County and IRS and all parties were in favor of the sale and they are still in favor of the sale.

Mr. O’Connor referred to the term “bankruptcy” that keeps coming up and asked that they look at the City’s bond ratings and the City’s CAFR. He said they would see that the City is in a very good financial situation. He said the City has a very good positive long term affect with or without this sale. They have taken a lot of extreme measures to get themselves balanced just right in the financial makings. Also, the City’s electric rates are not the highest in the State. They are higher than FPL and he does not see in the foreseeable future that they will have FPL rates. But, FPL rates are not the only achievable goal. The question is, is this a good deal for the City of Vero Beach and the ratepayers who would be surviving the contract. He felt that was what it really came down to. He said they, as a community, have to determine the risk in what they can bare and what they can tolerate.

Mr. Glenn Heran said that he has been involved with this issue for eight (8) years and he can hear the voices in the room. He can hear the naysayers, the voices of complacency, the voices to study this more, etc. He said not at one point in the past 16 years has the City been able to compete with FPL. No utility in the State of Florida has. He said the naysayers offer nothing. There is no alternative. The alternative is that they continue to lose \$20 million dollars a year because they don’t have FPL rates. He said this community has already voted not to delay, this is a great deal.

Mr. Mechling said he appreciated Mr. Young’s comments. He looks at this as a situation where there is a 30-year agreement that is coming to an end and there has to be some resolution with that. He also appreciated Mr. Auwaerter’s analysis. He felt it was time for some action. He said a lot of money has been spent on debating these issues, there have been referendums that had the support of the citizenry in their votes, and although he agrees with the concept of selling the entire system, he also realizes that others, such as FMPA, have a different viewpoint. At the time Mayor Kramer brought forward the concept of a partial sale, he didn’t think it was realistic. Now they have a contract that is coming due with IRS and he felt that the concept of this partial sale could be an excellent alternative to seeing how all this might work if they can get an agreement with FMPA.

Mr. Mechling made a motion that the Commission recommends to the City Council to move ahead with this offer from FPL. Mr. Tonkel seconded the motion.

Mrs. Moss said if acceptable to Mr. Mechling she would like to amend the motion to include the deadline date of August 25th. Mr. Mechling agreed to the amendment to the motion.

Mr. Auwaerter said to make the motion more clear, that they state, “within the framework of the FPL letter dated August 9, 2016.”

Mr. Mechling agreed.

Mr. Tonkel said that he was very impressed with the logic that has been expressed. He hoped that in some way they capture the essence of the comments made today. He felt it was important that the public understands that the architect of this has been the City Council, particularly led by the Mayor. He felt that while there were people that doubted that initiative originally, that they have come to accept the fact that the two (2) parties have found a way to respond to that challenge and FPL has laid out a generous approach, which he hoped the City Council would accept. He also felt that there would be community acceptance and believed that there would be broad support. He said what they have not discussed today is if this offer is not accepted by the City, that is going to reopen a lot of discussion on what initiatives must be taken to take the City out of the power business. He did not think the City should be in the power business as they cannot compete and never will. He said there would be some negative consequences if this deal doesn't happen. He felt that this was a very fair and reasonable offer and is something that needs to be done.

Mrs. Moss said it is important to her that the will of the people be honored and she viewed this as the first step.

Mr. Lapointe said that his intention is to vote in favor of the motion, but he would be very interested in what the Finance Commission recommends in their analysis of the offer.

Mayor Kramer referred to the Referendum where the people voted in favor of the sale. He said that was a different deal. This deal is going to make the citizens of Vero Beach pay more for their electric rates. The people in the County to the west and on South Beach are going to pay more for electric rates. The number of \$42.5 million dollars was not a sale price. That was the price for a breakeven so the City would not feel the financial burdens. He said that he spoke with Mayor Brian Barefoot of IRS about this and the specific language was to develop a framework to make this happen. He said that he would not be voting in favor of this deal. It is a “no” for him. He will not throw the City's customers under the bus for FPL and IRS. He said they are going to be paying higher rates. Not only would they be paying higher rates, but the liabilities are going to get compressed on the remaining customers and it would be harder to do a future sale with FPL. He will be voting no on this as it is not a good deal.

Mr. Auwaerter said that he made some very reasonable changes to the assumptions with regards to adjusting expenses and having the cost go up 2% rather than 3%. He said the number came in at just around \$26 million dollars, which leaves \$4 million dollars for liabilities or contingencies. He said IRS customers only represent about 1/12th and if they take that \$4 million dollars and multiply it by 12, they have \$50 million dollars for contingencies, which none are listed in the FMPA annual statements of September 30, 2015. He said that his assumptions did not change the 6% of revenue transfer to the City.

Even with the lower revenues with IRS going away, his analysis shows that those numbers are still there. Actually, the rest of the ratepayers are kept whole and the taxpayers are kept whole.

Mr. Tonkel asked Mayor Kramer if it would change his mind to think of this as the beginning of a succession of steps that need to be taken. He said that he (Mayor Kramer) supported the idea that the utilities should be sold.

Mayor Kramer said as one option, yes that is true. He said this has only been a one option deal from day one.

Mr. Tonkel said now they have a second option and he is looking at it as a stepladder. He said if they have to take this step in order to reach the ultimate goal then why not.

Mayor Kramer said because they would be taking a small step that makes the next step even larger.

Mr. Lapointe said the motion made was not a strong endorsement of the offer. It is simply a recommendation that the City Council in their wisdom consider the offer.

Mr. Auwaerter said it was a recommendation that the City Council approve it.

At this time, the Deputy City Clerk reread the motion.

Mr. Auwaerter asked that they amend the motion to “approve” the offer of FPL.

Mr. Tonkel said that he would withdraw his second to the motion so they could insert the word “approve.”

Mr. Mechling amended his motion to “approve” the FPL offer.

Mr. Auwaerter said they need to be very clear on the wording of the motion. The motion is that the Vero Beach Utilities Commission recommends to the City Council that they approve the offer that FPL made for the assets that support customers in Indian River Shores as described in their letter dated August 9, 2016. Mr. Mechling agreed that is the motion on the floor.

Mr. Tonkel felt that because references were made in the second letter that they received this morning that it should be referenced in the motion as well.

Mr. Mechling felt that the letter itself would stand on its own. Mr. Auwaerter agreed.

Mr. Auwaerter seconded the motion and it passed 5-0 with Mr. Lapointe voting yes, Mr. Mechling yes, Mr. Tonkel yes, Mr. Auwaerter yes, and Mrs. Moss yes.

C) 2016 Electric Reliability Performance Report Second Quarter – Mr. Ted Fletcher

Mr. Ted Fletcher, Utilities Director, gave a brief overview of the 2016 Electric Reliability Performance Report Second Quarter with the Commission members (attached to the

original minutes). He noted that the reliability numbers are better because of some of the capital improvements they have been making.

Mr. Mechling said the report is well put together as it is very easy to read and understand.

Mr. Fletcher asked the Commission members if at any time they want to see more information on the outage report that they contact him.

Mrs. Moss felt that Mr. Fletcher did a nice job on the report.

Mr. Tonkel noted that the Commission members need to make sure that if they want information that they contact Mr. Fletcher before he has to produce the data. He said sometimes they tend to put a lot of pressure on some of the staff and whatever they could do to give staff plenty of notice would be beneficial to both the Commission and to staff.

D) FMPA Solar Power Survey – Vice Chairman Auwaerter

Mr. Auwaerter reported that they had a two hour conference call regarding what they want in the Request for Proposals (RFP). He received the revised RFP yesterday and signed off on it. He reported that most of the cities involved in the survey only want to survey residential customers. If the City wants to survey commercial customers it will cost more. He said that Mr. O'Connor did indicate that he would be willing to survey commercial customers, but they need to find out the cost. Mr. Auwaerter said the short survey would consist of four (4) or five (5) minutes at a cost of about \$3,000 to \$5,000 dollars to be borne by each member who is having the survey done. The long survey would be nine (9) to 12 minutes and could cost up to \$10,000 to \$12,000 dollars. They hope to conduct the surveys in December and have the results sometime in late January or early February.

Mr. Mechling asked who is in charge of the length of survey.

Mr. Auwaerter said that wasn't clear. He thought they would get actual proposals and then come up with one (1) standardized survey so they would have a standardized set of the data across the State.

Mr. Mechling said it has been his experience that when there is a three (3) to five (5) minute survey more people tend to do it as opposed to a survey that takes 10 to 12 minutes.

5. OLD BUSINESS

None

6. CHAIRMAN'S MATTERS

Mrs. Moss reported that she would be making a presentation to the Airport Commission at their meeting this Friday to explain what they were doing regarding the survey on solar power. She asked Mr. Auwaerter to send the City Clerk's office a brief bio so she could use the information in her presentation.

Mrs. Moss asked the Commission members if they had any matters they would like on next month's agenda. She said they do have two items at this point. One item was Mr. Baczynski's item on the Kilroys and the Indian River Lagoon. The other item was Mr. Tonkel's item regarding the budget.

Mr. Tonkel thought that Mr. O'Connor told the Commission members that they would make the presentation on the budget at their October meeting.

Mrs. Moss said that she spoke with Ms. Cindy Lawson, Finance Director, and she wasn't sure what Mr. Tonkel wanted.

Mr. Tonkel said that he would speak to Ms. Lawson prior to the October meeting.

7. MEMBER'S MATTERS

None

8. ADJOURNMENT

Today's meeting adjourned at 11:28 a.m.

/sp

GARDNER, BIST - ELECTRIC UTILITY LEGAL SERVICES**8/10/16**

Matter #	Description	\$ per Matter
11.2561	General	\$ 3,780
14.2170	Electric Legislation	11,070
14.2172	Regulatory	5,197
14.2179	Electric System Sale	55,548
14.2306	Lower Rate Initiative	331,562
14.2335	Indian River Shores v Vero Beach	374,388
14.2336	IRC v Vero Beach (PSC Docket 140142-EM)	80,777
14.2567	COVB Petition for Declaratory Statement (PSC Docket No. 140244-EM)	47,160
15.2119	IRC v Vero Beach (Supreme Court Appeals)	70,538
15.2232	OUC PPA Disputes	4,208
16.2023	Indian River Shores Petition for Declaratory Statement	42,902
16.2066	Indian River Shores Ordinance	32,225
16.2076	Indian River Shores PSC Petition re: territorial orders	50,018
16.2194	IRS Partial Sale	2,948
	TOTAL ALL BILLING MATTERS	\$ 1,112,319

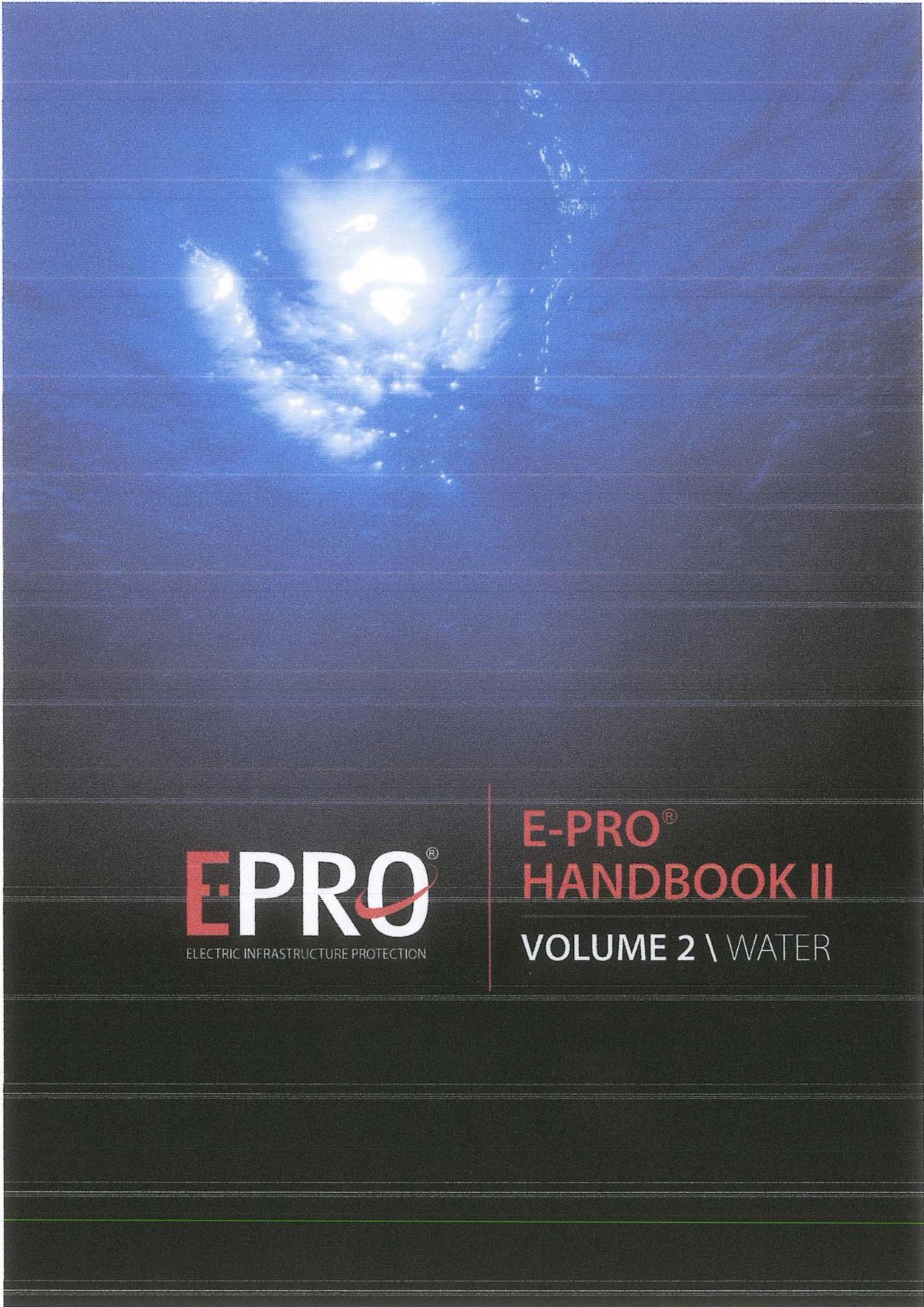
Sec. 71.14. - Rights-of-way required to be improved.

This right-of-way improvement policy shall not be interpreted to require the improving of certain rights-of-way if that paving would result in the destruction of large, well-maintained, and desirable trees, or if rights-of-way which have historical significance or aesthetic appeal which would be ruined by improvement. It shall be up to the discretion of the city council to classify rights-of-way in these categories on an individual basis and the following streets are designated to remain unimproved:

- (a) Sandfly Lane;
- (b) Lady Bug Lane;
- (c) Painted Bunting Lane between Club Drive and Ocean Drive;
- (d) Camino Del Rio (east and west); and
- (e) Eugenia Road east of A-1-A.

It is the intent of this section that said roads shall remain narrow sand and shell roads, not paved or hard-surfaced, not straightened or widened, or the grade changed, and the city shall do no pruning or removal of trees or plants unless said tree or plant had been determined to be a safety hazard by the city manager or his designee; the pruning shall be guided by standards established by the International Society of Arboriculture. There shall be no installations of any utility poles and sewers (except the installation of a STEP sewer system by directional boring methods) along, on, or under same and said roads shall remain in their present condition and state as much as possible, and the material used for maintenance shall be sand or shell similar to what is there now.

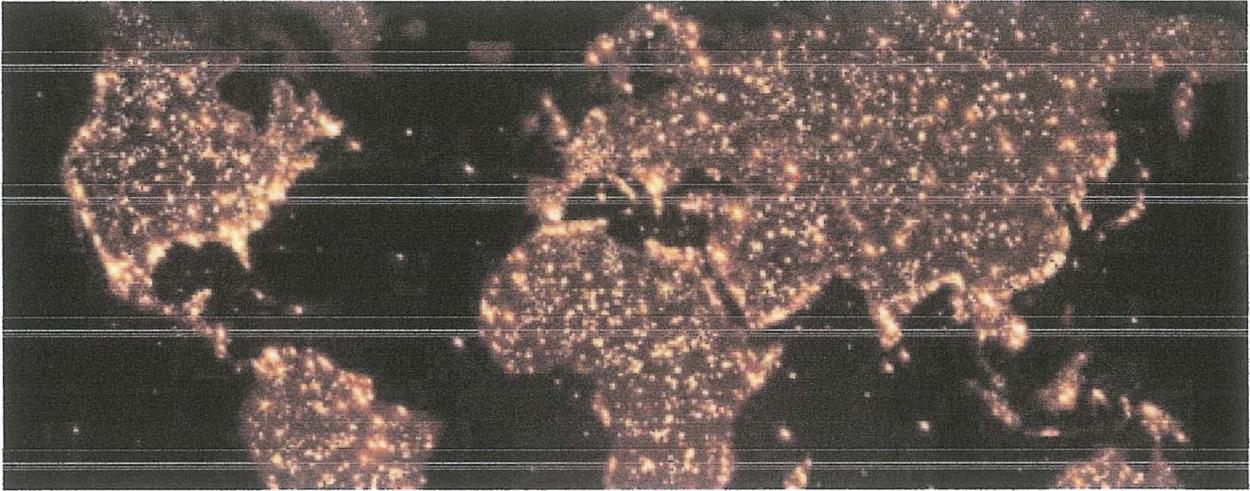
(Ord. No. 84-15, § 1, 7-3-1984; Ord. No. 90-14, § 1, 2-20-1990; Ord. No. 2012-20, § 2, 10-2-2012)



E-PRO[®]
ELECTRIC INFRASTRUCTURE PROTECTION

E-PRO[®]
HANDBOOK II

VOLUME 2 \ WATER



INTRODUCTION

Deepening interdependencies between the electric power grid and other critical infrastructure sectors pose immense challenges and opportunities for strengthening national resilience. “Black Sky” power outages lasting a month or more, covering multiple regions of the United States, would inflict cascading failures across the electricity-dependent sectors essential for preserving the economy, public health and safety and national security, and for sustaining the lives of the population in affected regions. The EPRO Handbook project is structured to help private and public partners protect against such cascading failures and limit their societal impact.¹

This two-volume work, EPRO Handbook II, provides options to strengthen the resilience of two especially vital infrastructure components against Black

¹ The EPRO Handbook project is part of a broader, integrated set of resilience initiatives supported by the Electric Infrastructure Security (EIS) Council. For an overview of EIS Council's programs, please visit www.EISCouncil.org

Sky power outages: the water sector, with its uniquely essential services, and the natural gas infrastructure on which power generation increasingly depends. EPRO II provides a detailed range of preparedness options that infrastructure owners and operators can consider and adapt to help meet their own system-specific needs.

The Handbook also offers a methodology for developing Black Sky playbooks to help these sectors guide emergency operational planning and resilience initiatives. This approach is designed to be useful for water, wastewater and natural gas system owners and operators, and those partner sectors with whom they share interdependencies, or upon whose services they will rely in extreme outages. This playbook methodology, rooted in classic Systems Engineering methodology, may also represent an important framework for progress in other infrastructure sectors that would be severely disrupted by Black Sky power outages.

The United States and partner nations remain at risk of blackouts far more severe than those which occurred in Superstorm Sandy (2012), Hurricane Katrina (2005), or any previous event.

The electric power industry is making great strides in strengthening its protections against the natural and manmade hazards that could cause severe outages. The industry is also rapidly improving its ability to restore power when blackouts occur. Yet, much greater progress will be necessary to build preparedness for Black Sky outages – that is, outages covering multiple U.S. states or regions that last a month or longer.

While the power industry is making great strides in strengthening protection against more conventional hazards, the United States and its allies remain at risk from particularly severe, multi-region Black Sky outages.

The first volume of the EPRO Handbook Series, EPRO I, provided options to help the electric subsector protect against two especially significant Black Sky hazards, which are now the focus of growing resilience initiatives by industry and its public sector partners. The first hazard is that of severe solar storms. These storms create geomagnetic disturbances (GMD) that can damage unprotected high voltage transformers and other high voltage grid components over multistate regions. The second threat is that posed by an Electromagnetic

Pulse (EMP) strike, with associated electromagnetic effects that will damage or destroy a portion of unprotected grid equipment, and over exceptionally wide areas, making discovery and replacement particularly challenging.

While utilities in a growing number of U.S. regions are hardening their systems against these threats, many more years of risk-based, strategically-targeted investments in protection will be required before the grid as a whole is even minimally resilient. Ensuring that utilities can recover their costs for such prudent investments will be critical for sustaining progress against electromagnetic threats.

Sustained investment will also be required against catastrophic storms, combined cyber and kinetic attacks on key grid components, and other threats to the electric subsector. Yet, while such protection efforts must continue, it will never be possible to fully prevent large scale outages due to Black Sky hazards. Most notably: no remotely affordable investments in grid resilience can ever prevent Black Sky outages from occurring if (or rather, when) cataclysmic earthquakes strike in the Cascadia seismic zone, the Hayward fault, New Madrid seismic zone, and other regions in the United States and in many partner countries.

Thus, Black Sky power grid protection efforts have two priorities. The first is to find cost-effective ways to accelerate targeted electric subsector resilience investments and preparedness planning against the full range of Black Sky hazards. The second is to strengthen collaboration with the subsector's partners to make the policies and regulatory changes needed to facilitate protection and power restoration operations, and ensure that electric utilities have the external support functions they will require severely disrupted environments. Handbook I recommended an array of options to scale up such capabilities from the electric subsector's partners for Black Sky events, many of which are now going forward.² The Handbook also emphasized the development of capabilities

2 For example, in discussions facilitated by EPRO Steering Committees, an array of Non-Governmental Organizations (NGOs) are exploring how to strengthen their support for utility power restoration operations, including both traditional functions (such as support for debris removal and road clearance) and novel missions, (such as targeted support for the families of utility crews on extended deployments). Similarly State Public Utility Commissions have now initiated an EPRO Regulatory Sector Steering Committee process, with ten states participating in the inaugural meeting, cohosted in June, 2016 by the Governor of Pennsylvania, the Pennsylvania PUC and EIS Council. <http://www.eiscouncil.com/EPro/Esc>

and plans for “whole community” preparedness against Black Sky outages, including contributions from individuals and families, the private sector, and Non-Governmental Organizations (NGOs).³

The first volume of the Handbook also identified an urgent need for follow-up analysis to strengthen cross-sector resilience. While EPRO I focused on building the grid’s resilience and restoration capabilities against Black Sky hazards, wide area, long duration power outages would also disrupt other infrastructure sectors that depend on the flow of electricity.

These disruptions could cause catastrophic problems to public health and safety. Two of these problems represent particularly critical challenges. If water and wastewater systems failed in communities across multiple states or U.S. regions, the societal consequences and risk to the lives and safety of affected populations would be difficult to overestimate. Black Sky events could also disrupt the flow of natural gas on which electricity generation depends in a growing number of U.S. regions, and thereby magnify the difficulty of restoring power just when lives depend most on bringing the grid back into service.

EPRO II offers proposals to address two primary challenges associated with long duration outages caused by Black Sky hazards:

Sustaining water and wastewater service to communities, and ensuring continuity of fuel delivery to electric power plants.

This publication, EPRO Handbook II, offers proposals to address both of these challenges. Section I of this executive summary briefly summarizes the findings and recommendations of EPRO II for strengthening the resilience of the water sector, which includes both water and wastewater systems, against Black Sky outages. Section II examines opportunities to strengthen the resilience of fuel supplies for power generation in Black Sky events, especially natural gas. Section III identifies future priorities for analysis, including those that reflect the ongoing evolution of cyber threats and other Black Sky hazards.

³ FEMA, Whole Community. <https://www.fema.gov/whole-community>