

In an effort to provide some clarity to the conversation, we'd like to cover some of the details of a potential lease of the power plant site, as well as discuss some additional details around our purchase offer:

As we stated in our Letter of Intent, we are assuming that the Vero Beach power plant will transfer to FPL as part of the overall electric system. In order to operate the power plant, FPL will require access to the power plant site until such time that we can upgrade the transmission system to allow for the plant's decommissioning.

Therefore, we require a lease, which allows FPL to access the property and operate the plant. The City will always retain ownership of the underlying real property. FPL is offering to pay the City \$1MM per year to lease the power plant site.

We also understand that the citizens of Vero Beach are concerned about the length of time we will need to lease the property. There are a number of transmission upgrades that need to occur on both FPL's and the City's grid prior to decommissioning the power plant. The upgrades on the FPL transmission system are currently scheduled to be complete in the 2016 timeframe. In addition, there is approximately \$7.5MM of upgrades required on the Vero side of the system. FPL is willing to pay for those upgrades as part of this acquisition. Following the completion of that work, which again we believe will be finished in 2016, we would decommission the power plant in a timely manner and return the property to the City at the completion of the work. We believe, again based on current schedules and the timeframe for closure of this acquisition, that it can be completed by 2017.

As part of the decommissioning of the power plant, FPL is willing to relocate the substation to a mutually agreed upon location at FPL's

cost. Depending on the new location, we believe such relocation to cost somewhere within the \$5-6MM range

I think it bears repeating that FPL has sought to find a transaction that works to the mutual benefit of both its existing customers and the customers of the City of Vero Beach municipal electric system. In order to afford the customers of Vero Beach the same great rates our existing customers enjoy today, there is a cap on the price we can pay for the system. We have solved for that cap and believe we have found a price that fairly compensates the City for its electric system and still keeps our existing customers held harmless. We have stated we would pay up to \$100MM for the electric system. In addition to the \$100MM, FPL is absorbing approximately \$17MM in pension liabilities, paying \$7.5MM in capital upgrades to the City's transmission system, decommissioning the power plant, and relocating a substation at a cost of \$6MM. That is over \$130MM. Additionally, approximately \$17MM in transmission upgrades are necessary on FPL's side of the system to ready the power plant for decommissioning. FPL also reiterates our commitment in our Letter of Intent that we will retain employees of the Vero Beach electric utility for 2 years.

The City retains the electric utilities' \$30MM cash reserves to invest how they wish.

In terms of the \$5.6MM transfer from the electric utility to the general fund, we believe we can demonstrate that we can make up much of the shortfall so that any impact to property taxes are minimized or eliminated. A 6% franchise fee will contribute over \$1.5MM annually. The lease of the power plant site is worth in the neighborhood of \$1MM to the City on an annual basis. Furthermore, I am working with

Mr. O'Conner, the City Manager, to identify other items such as property taxes, other leases associated with the electric system, and income from investments on approximately \$30MM in Vero Beach electric cash reserves and interest income from any net proceeds from the sale of the utility. Again, when you consider the savings to the City and its customers from the lower rates they will enjoy with FPL, we believe there is tremendous value to you and your customers from this potential acquisition.

One final comment. We believe that a mutually beneficial agreement can be reached. However, the process to reach such agreement is complex, and will take some time to negotiate. Concurrently, the City is addressing its current wholesale contract with Orlando Utilities Commission, as well as addressing the transfer of its generation entitlements with FMPA. Even though we are still in the early stages of negotiation, I will say that we have worked very well with the City and its legal representation in structuring an overall deal that will be successful. We look forward to continuing this relationship as we move forward through the process.

I appreciate the time to present, and my team and I are willing to answer any questions you may have. Thank you.