

Diamond Williams

110041-EI

From: Rhonda Dulgar [rdulgar@yvlaw.net]
Sent: Tuesday, March 15, 2011 3:43 PM
To: Beth Keating; J.R. Kelly; Cecilia Bradley; Filings@psc.state.fl.us; Pauline Evans; Schef Wright
Subject: Electronic Filing - Docket 110041-EI
Attachments: 110041.Marianna.Resp2Staff1stDataReq.3-15-11.pdf

a. Person responsible for this electronic filing:

Robert Scheffel Wright
 Young van Assenderp, P.A.
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b. 110041-EI

In Re: Petition for approval of Amendment No. 1 to Generation Services Agreement with Gulf Power Company, by Florida Public Utilities Company.

c. Document being filed on behalf of the City of Marianna, Florida.

d. There are a total of 15 pages.

e. The document attached for electronic filing is The City of Marianna's Responses to the Commission Staff's Data Request to City of Marianna.

(see attached file: 110041.Marianna.Resp2Staff1stDataReq.3-15-11.pdf)

Thank you for your attention and assistance in this matter.

Rhonda Dulgar
 Secretary to Schef Wright
 Phone: 850-222-7206
 FAX: 850-561-6834

DOCUMENT NUMBER-DATE
 01696 MAR 15 =
 FPSC-COMMISSION CLERK

3/15/2011

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Petition for Approval of Amendment No. 1 to) DOCKET NO. 110041-EI
Generation Services Agreement with Gulf Power) Filed: March 15, 2011
Company, by Florida Public Utilities Company.)
_____)

**THE CITY OF MARIANNA'S RESPONSES TO THE COMMISSION
STAFF'S DATA REQUESTS TO CITY OF MARIANNA**

As requested by the Commission Staff's letter to the City of Marianna's counsel on March 1, 2011, the City hereby responds to the Staff's March 1 data requests as follows.

PRELIMINARY STATEMENT

The City's responses to the Staff's data requests are presented below, in bold type following each of the Staff's data requests. PLEASE NOTE that these answers are preliminary and based on what is known to the City at this time. The responses and answers may change as discovery progresses.

RESPONSES

1. The City's petition to intervene states: "The proposed rates to be charged under the Agreement for Generation Services (GSA) Amendment in the extension years, 2018 and 2019, are excessive and will result in FPUC's rates being unfair, unjust, and unreasonable." What is the basis for this statement? Give specific examples and provide documentation to support the statement.

FPUC's customers in the Northwest Division currently pay the highest rates of any utility in Florida. See the attached PSC residential rate summary for investor-owned utilities and also the attached rate summary for residential and commercial customers prepared and maintained by the Florida Municipal Electric Association. It is facially obvious from examination of FPUC's rates that the reason that FPUC's Northwest Division rates are so high is that its purchased power costs from Gulf Power are high. Relative to contracts that are currently available, and that have recently been negotiated for wholesale power purchases, the existing rates charged by Gulf Power are high and result in FPUC's payments, and thus the City's rates, being significantly above market. For example, examination of the Commission's current residential rate summary, "FLORIDA INVESTOR-OWNED UTILITIES, RESIDENTIAL ELECTRIC SERVICE – MONTHLY BILL – 1,000 KILOWATT HOURS, January - December 2011," shows that the purchased power cost for a 1,000 kWh/month residential customer in FPUC's Northwest Division is \$115.53; the actual average cost is greater than this because FPUC's residential customers pay Purchased Power Cost Recovery rates that are 1 cent per kWh greater (i.e., 12.553 cents/kWh) for consumption above 1,000 kWh/month. Based on information available to the City, including the attached

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excerpt from a report by WHH Enterprises regarding power supply options available to the Fort Pierce Utilities Authority, regarding other wholesale power contracts that have recently been negotiated in Florida, the City reasonably believes that the current price of wholesale power under recently negotiated wholesale power purchase contracts in Florida is in the range of \$70 per 1,000 kWh. This means that FPUC is paying between \$40 and \$50 per 1,000 kWh more than current market contracts.

The City already knows what demand charges in the existing "Generation Services Agreement" (the "PPA") between Gulf and FPUC, and FPUC personnel have indicated to the City's consultant and other City personnel that the rates to be charged in the PPA/GSA Amendment are similar to, or an extension (escalation) of the rates in the existing PPA/GSA. Since the rates under the current PPA/GSA are known to be significantly above market, and recognizing that relationships and conditions may change over time, the City believes that the best indicator of future relationships in the 2018-2019 timeframe are the relationships that are known to exist currently, and accordingly, the City concludes that rates escalated into 2018 and 2019 from the current PPA rates will also be excessive.

2. The City's petition to intervene states: "The structures of the demand and energy charges are inappropriate." What is the basis for this statement? Give specific examples and provide documentation to support the statement.

The demand charges imposed on FPUC under the PPA have three unique features that contribute to the high rates being paid by FPUC. These features are: (a) the ratchet feature; (b) the fact that the demand charges are imposed on a contractually calculated annual demand value rather than on FPUC's actual metered peak demand for each billing month; and (c) the application of the demand charges not only to FPUC's contractually estimated annual demand but also their application to a factored-up value for reserve capacity. To the best of the City's knowledge, these features are rare, and possibly unique, among wholesale power contracts in Florida.

The structure of the demand charges is inappropriate because those charges are based on an annual estimated or calculated demand value, rather than on the actual demand imposed on Gulf's system by FPUC's Northwest Division. This is an inappropriate rate structure because it does not provide accurate incentives to FPUC, or to FPUC's customers, to reduce their usage during peak periods, which would thereby reduce the actual cost of providing electric service and save energy. In other words, the structure of the demand charges under the PPA is anti-energy-conservation because the demand charge is the same regardless of actual customer consumption during any given year.

The structure of the energy charges is inappropriate because it is a flat rate for the entire year, rather than a set of rates that reflects actual differences in costs to provide service according to different times of the day, different days of the week, and different seasons of the year. This structure is inappropriate because the rates charged do not reflect the actual cost to provide electric service on a seasonally or time-differentiated basis. In turn, this flat-rate energy charge structure does not provide accurate incentives to FPUC or to FPUC's customers to adjust their consumption based on actual costs. In other

words, the structure of the energy charge under the PPA is anti-energy-conservation because the energy charge is the same without regard to when energy is consumed.

3. The City's petition to intervene states: "The proposed GSA Amendment is contrary to the best interests of FPUC's customers and contrary to the public interest." What is the basis for this statement? Give specific examples and provide documentation to support the statement.

Extending rates that are above-market for an additional two years is obviously, on its face, contrary to the best interests of FPUC's Northwest Division customers. The rates are so much above-market that extending them will outweigh the short-term benefits offered by the PPA Amendment.

For example, based on information from the City's rate consultants, the City believes that the rates charged under the current PPA are between \$40 and \$50 per 1,000 kWh above market, i.e., relative to market prices that are available under wholesale power contracts recently negotiated in Florida. The rate reductions from the PPA Amendment would amount to something in the range of \$3 per 1,000 kWh for the next 7 years, but making the reasonable assumption that the 2018 and 2019 rates will remain greatly above market, those differences will quickly wash out the near-term price reductions.

4. At the February 8, 2011, Commission Agenda Conference, Mr. Wright, attorney representing the City, stated: "I can think of at least three win/win/wins that can work if we can get all three parties at the table." Please describe in detail the three "win/win/wins" referenced by Mr. Wright.

Respectfully, the City asks that the Staff withdraw this request, for the following reasons. First, these are matters for negotiation between and among the City of Marianna, FPUC, and Gulf Power Company that would be better put forth for the first time in a negotiation session involving these three parties. The City has already (by letters sent on March 7, 2011) asked FPUC and Gulf Power to participate in such negotiations. Second, at least at this point, these are not matters upon which the Commission would act; it is possible that, if the negotiations proposed by the City were to bear fruit, some of the outcomes could come to the Commission for its action.

5. Regarding FPUC's GSA with Gulf Power Company and Amendment No. 1 to the GSA, does the City have any standing with or recourse with the Federal Energy Regulatory Commission?

The City is investigating the possibility of seeking recourse before the Federal Energy Regulatory Commission and will advise the Staff as soon as possible of its conclusions regarding such recourse.

6. Regarding FPUC's GSA with Gulf Power Company and Amendment No. 1 to the GSA, does the City have any standing with or recourse with Gulf Power Company?

The City does not believe that it has any legal "standing with or recourse with Gulf Power Company," for the simple reason that the City is not a customer of Gulf Power Company. The City believes that its only possible avenues of legal recourse regarding its concerns about the GSA Amendment are before the Florida PSC, and possibly before the FERC. As a Florida municipality and significantly affected customer of FPUC, the City believes that it has policy and commercial or business standing to seek the proposed negotiations with Gulf Power and FPUC, and has accordingly asked both Gulf and FPUC to participate in such negotiations.

7. Is there a FERC complaint process or hearing process that the City, on behalf of its citizens and on behalf of FPUC's customers in general, can utilize regarding the effects of the GSA and Amendment No. 1 on FPUC's rates?

- a. If yes, what was the outcome?
- b. If no, why not?

The City is investigating the possibility of seeking recourse before the Federal Energy Regulatory Commission and will advise the Staff as soon as possible of its conclusions regarding such recourse.

8. Has the City contacted Gulf Power Company to address its concerns (as stated in Paragraph 10 of its Petition to Intervene) regarding FPUC's proposed GSA Amendment No. 1?

- a. If yes, what was the outcome?
 - b. If no, why not?
- a. **Yes. On March 7, 2011, by a letter from the City's attorney to Gulf Power Company's general counsel, the City invited Gulf to participate in negotiations toward resolving all issues between and among the City, Gulf, and FPUC. (The City also sent a similar letter to FPUC's counsel on the same date.)**
 - b. **Not applicable.**

9. Has the City considered power supply options in case it chooses to municipalize its electric system?

- a. If yes, please describe.
 - b. If no, why not?
- a. **Yes. The City's consideration to date has been its consultation with Mr. William H. Herrington, principal of WHH Enterprises, who regularly works in this area and is familiar with wholesale power purchase contracts in the Florida market. For example, the City is aware of WHH Enterprises' comparison of the current costs of wholesale power under recently negotiated contracts as reflected in the attachment to these responses.**
 - b. **Not applicable.**

10. Did the City participate in the negotiations between FPUC and Gulf to amend the current GSA?

General Answer: No. The City did not participate in the negotiations between FPUC and Gulf.

- a. If yes, what was the outcome?
- b. If no, why not?

- a. **Not applicable, as the answer to Request No. 10 is "No."**
- b. **The City did not participate in the negotiations between FPUC and Gulf because the City was not invited to participate in those negotiations, and because the City was not notified of any specific meetings or negotiation sessions that it might have been allowed to attend.**

11. Please describe the City's involvement in Docket No. 070108-EI.

The City did not participate in Docket No 070108-EI.

- a. If the City did not participate in the above-referenced Docket, please explain why not.

The City is presently reviewing its available records of correspondence and other documents in an effort to locate and identify any documents relative to why the City did not participate in the Docket. The City's inquiry has not yet produced any such documents or records, but the City is continuing its inquiry and review and will advise the Commission Staff when that review is complete.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic delivery this 15th day of March, 2011, to the following:

Pauline E. Evans, Esquire
Office of the General Counsel
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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The Capitol – PL01
Tallahassee, Florida 32399-1050


Attorney

FLORIDA INVESTOR-OWNED UTILITIES
RESIDENTIAL ELECTRIC SERVICE - MONTHLY BILL - 1,000 KILOWATT HOURS
 January - December 2011

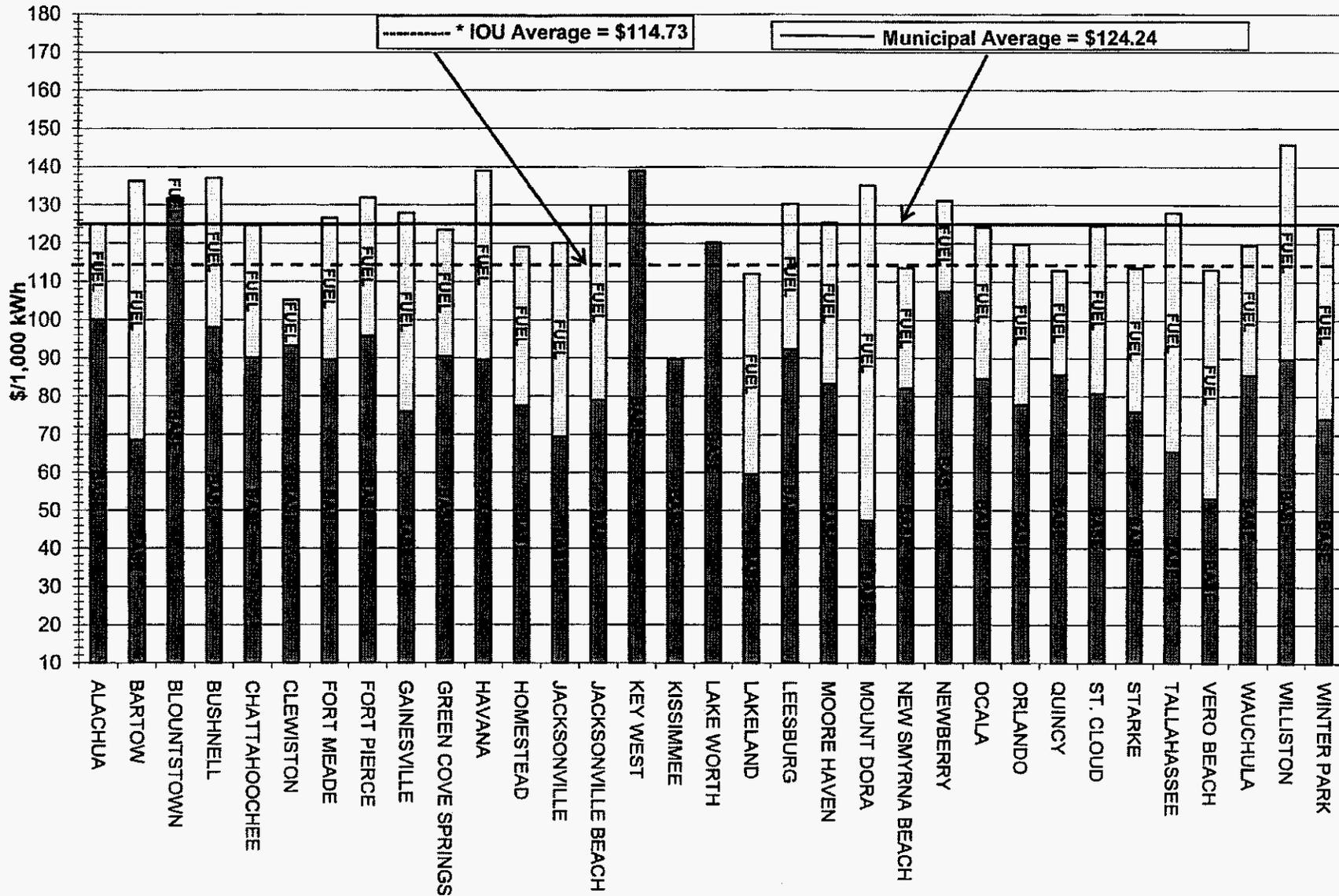
	Florida Power & Light Co.	Progress Energy Florida, Inc.	Tampa Electric Company	Gulf Power Company	Florida Public Utilities Co.	
					Marianna	Fernandina Beach
Base Rate Charges	\$43.01	\$48.58	\$55.45	\$49.30	\$31.58	\$31.58
Fuel and Purchased Power Cost Recovery (\$38.57	\$44.61	\$38.75	\$51.31	\$115.53	\$96.30
Energy Conservation Cost Recovery Clause	\$1.88	\$2.99	\$2.74	\$0.80	\$1.15	\$1.15
Environmental Cost Recovery Clause	\$1.79	\$4.91	\$4.04	\$13.43	N/A	N/A
Capacity Cost Recovery Clause	\$6.21	\$15.27	\$3.36	\$4.76	N/A	N/A
Storm Damage Cost Surcharge	\$1.17	N/A	N/A	N/A	N/A	N/A
Gross Receipts Tax	\$2.38	\$2.98	\$2.68	\$3.07	\$3.80	\$3.31
Total Monthly Bill	\$95.01	\$119.34	\$107.02	\$122.67	\$152.06	\$132.34

DOCUMENT NUMBER DATE

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Residential Bill Comparison, January 2011



* Includes average 6% franchise fee.

COMPARISON OF RESIDENTIAL ELECTRIC RATES COMPILED BY FLORIDA MUNICIPAL ELECTRIC ASSOCIATION, INC. - www.publicpower.com

January 2011			1,000 KWH			A	2,500 KWH			B	
CITY		Customer Charge	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	Total with 6% franchise fee payment*	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	Total with 6% franchise fee payment*	Additional Tax
ALACHUA		9.00	100.00	25.00	125.00		251.50	62.50	314.00		10%
BARTOW		6.70	68.52	67.69	136.21		161.25	169.23	330.48		10%
BLOUNTSTOWN		3.50	131.71	0.00	131.71		324.02	0.00	324.02		5%
BUSHNELL	AR	7.40	98.05	39.00	137.05		234.03	97.50	331.53		10%
CHATTAHOOCHEE		6.50	90.10	34.59	124.69		178.00	86.47	264.47		NONE
CLEWISTON	AR	6.50	93.20	11.99	105.19		223.50	29.98	253.48		10%
FORT MEADE	AR	12.96	89.56	37.00	126.56		204.46	92.50	296.96		10%
FORT PIERCE	AR	6.01	95.84	36.00	131.84		242.30	90.00	332.30		10%
GAINESVILLE	G	8.45	75.95	52.00	127.95		228.95	130.00	358.95		10%
GREEN COVE SPRINGS	AR	6.00	90.50	33.04	123.54		221.00	82.60	303.60		NONE
HAVANA	AR	6.00	89.50	49.53	139.03		214.75	123.83	338.58		NONE
HOMESTEAD	G	5.60	77.60	41.42	119.02		185.60	122.38	307.98		10%
JACKSONVILLE	G	5.50	69.46	50.64	120.10		165.40	126.60	292.00		10%
JACKSONVILLE BEACH	AR	4.50	79.07	50.84	129.91		190.93	127.10	318.03		NONE
KEY WEST	G, AR	6.75	139.95	-1.00	138.95		339.75	-2.50	337.25		NONE
KISSIMEE	G, AR	10.17	133.27	-43.50	89.77		349.55	-108.75	240.80		8%
LAKE WORTH	G, AR	8.90	130.20	-10.00	120.20		358.50	-25.00	333.50		10%
LAKELAND	G	8.00	59.52	52.50	112.02		149.30	131.25	280.55		10%
LEESBURG	AR	10.66	92.27	38.00	130.27		214.68	95.00	309.68		10%
MOORE HAVEN		8.50	83.30	42.10	125.40		195.50	105.25	300.75		10%
MOUNT DORA		8.61	47.35	87.89	135.24		105.46	219.73	325.19		10%
NEW SMYRNA BEACH	G	5.65	82.10	31.41	113.51		196.77	78.53	275.30		9.25%
NEWBERRY	AR	7.50	107.50	23.60	131.10		257.50	59.00	316.50		10%
OCALA	AR	9.33	84.63	39.57	124.20		197.58	98.93	296.51		10%
ORLANDO	G	8.00	77.75	42.07	119.82		197.38	120.18	317.55		10%
QUINCY		6.00	85.65	27.30	112.95		205.13	68.25	273.38		NONE
ST. CLOUD	G	8.32	80.86	43.75	124.61		205.27	124.98	330.25		8%
STARKE	AR	N/A	75.95	37.63	113.58		230.02	94.08	324.10		10%
TALLAHASSEE	G	6.39	65.51	62.46	127.97		154.19	156.15	310.34		10%
VERO BEACH	G, AR	8.14	53.14	60.00	113.14		159.04	150.00	309.04		10%
WAUCHULA		8.62	85.62	33.91	119.53		201.12	84.78	285.90		10%
WILLISTON		8.00	89.84	56.00	145.84		212.60	140.00	352.60		5%
WINTER PARK		9.35	74.20	49.73	123.93	131.37	188.95	139.33	328.28	347.98	10%
FL POWER & LIGHT *	G	5.90	54.06	38.57	92.63	98.19	141.32	111.43	252.75	267.92	APPL
GULF POWER *	G	10.00	68.29	51.31	119.60	126.78	155.73	128.28	284.01	301.05	TAXES
PROGRESS ENERGY*	G	8.76	71.75	44.61	116.36	123.34	182.60	126.53	309.13	327.68	ADD
TAMPA ELECTRIC**	G	10.50	55.45	38.75	104.34	110.60	137.88	111.88	275.11	291.62	ADD

*Rates for municipal utilities INCLUDE payment-in-lieu of tax to the city's general fund. Rates for investor-owned utilities DO NOT INCLUDE franchise fee payments. Columns A and B include average 6% franchise fee for IOUs. AR = FMPA All Requirements; G = Generating utility. **Total includes conservation, capacity, environmental and refund credit (if applicable).

COMPARISON OF COMMERCIAL ELECTRIC RATES COMPILED BY FLORIDA MUNICIPAL ELECTRIC ASSOCIATION, INC. - www.publicpower.com

CITY	Non-Demand - 750 KWH			Non-Demand - 1,500 KWH			30 KW - 6,000 KWH			40 KW-10,000 KWH		
	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total
ALACHUA	83.00	18.75	101.75	155.00	37.50	192.50	670.50	150.00	820.50	1,015.00	250.00	1,265.00
BARTOW	66.70	50.77	117.47	126.70	101.54	228.24	523.28	406.14	929.42	771.18	676.90	1,448.08
BLOUNTSTOWN	114.70	0.00	114.70	222.40	0.00	222.40	868.59	0.00	868.59	1,442.98	0.00	1,442.98
BUSHNELL	85.30	29.25	114.55	163.19	58.50	221.69	630.55	234.00	864.55	1,046.00	390.00	1,436.00
CHATTAHOOCHEE	64.58	25.94	90.52	121.65	51.88	173.53	464.10	207.53	671.63	768.50	345.89	1,114.39
CLEWISTON	89.33	8.99	98.32	164.85	17.99	182.84	639.70	71.94	711.64	1,002.50	119.90	1,122.40
FORT MEADE	85.23	27.75	112.98	153.18	55.50	208.68	560.88	222.00	782.88	923.28	370.00	1,293.28
FORT PIERCE	78.57	27.00	105.57	151.30	54.00	205.30	628.74	216.00	844.74	954.00	360.00	1,314.00
GAINESVILLE	79.98	39.00	118.98	135.78	78.00	213.78	611.78	312.00	923.78	837.00	520.00	1,357.00
GREEN COVE SPRINGS	74.25	24.78	99.03	142.50	49.56	192.06	631.00	198.23	829.23	955.00	330.38	1,285.38
HAVANA	68.63	37.15	105.78	131.25	74.30	205.55	507.00	297.18	804.18	841.00	495.30	1,336.30
HOMESTEAD	67.42	36.71	104.13	127.19	73.43	200.62	569.37	293.70	863.07	861.47	489.50	1,350.97
JACKSONVILLE	53.37	37.98	91.35	97.50	75.96	173.46	362.23	303.84	666.07	597.55	506.40	1,103.95
JACKSONVILLE BEACH	61.93	38.13	100.06	117.86	76.26	194.12	453.42	305.04	758.46	751.70	508.40	1,260.10
KEY WEST	111.05	-0.75	110.30	214.77	-1.50	213.27	837.12	-6.00	831.12	1,390.32	-10.00	1,380.32
KISSIMMEE	111.80	-32.63	79.17	212.52	-65.25	147.27	930.94	-261.00	669.94	1,425.64	-435.00	990.64
LAKE WORTH	109.95	-7.50	102.45	219.90	-15.00	204.90	1,034.10	-60.00	974.10	1,622.00	-100.00	1,522.00
LAKELAND	51.79	39.37	91.16	93.58	78.75	172.33	377.33	315.00	692.33	538.89	525.00	1,063.89
LEESBURG	77.27	28.50	105.77	143.89	57.00	200.89	577.06	228.00	805.06	861.16	380.00	1,241.16
MOORE HAVEN	74.43	31.58	106.01	140.35	63.15	203.50	594.80	252.60	847.40	878.50	421.00	1,299.50
MOUNT DORA	48.43	65.92	114.34	77.48	131.84	209.32	192.96	527.34	720.30	261.58	878.90	1,140.48
NEW SMYRNA BEACH	61.92	23.56	85.48	117.80	47.12	164.92	453.05	188.46	641.51	751.05	314.10	1,065.15
NEWBERRY	90.15	17.70	107.85	172.80	35.40	208.20	721.80	141.60	863.40	1,093.00	236.00	1,274.50
OCALA	68.56	29.68	98.24	124.90	59.36	184.26	505.95	237.42	743.37	760.45	395.70	1,156.15
ORLANDO	64.64	33.63	98.27	119.03	67.26	186.29	456.06	269.04	725.10	660.10	448.40	1,108.50
QUINCY	78.83	20.47	99.30	137.05	40.95	178.00	492.22	283.80	776.02	739.77	433.00	1,172.77
ST. CLOUD	67.23	34.97	102.20	123.79	69.95	193.74	474.30	279.78	754.08	686.50	466.30	1,152.80
STARKE	76.50	28.22	104.72	144.00	56.45	200.45	549.00	225.78	774.78	909.00	376.30	1,285.30
TALLAHASSEE	40.26	46.85	87.10	72.52	93.69	166.21	449.94	374.76	824.70	615.78	624.60	1,240.38
VERO BEACH	47.91	45.00	92.91	86.61	90.00	176.61	364.39	360.00	724.39	537.89	600.00	1,137.89
WAUCHULA	85.10	25.43	110.53	143.60	50.87	194.47	619.10	203.46	822.56	933.80	339.10	1,272.90
WILLISTON	79.04	42.00	121.04	143.07	84.00	227.07						
WINTER PARK	61.48	40.53	102.01	110.62	81.07	191.69	371.50	324.24	695.74	565.82	540.40	1,106.22
FL POWER & LIGHT *	48.20	31.36	79.56	89.51	62.72	152.23	384.69	250.86	635.55	539.70	418.10	957.80
GULF POWER *	61.62	38.48	100.10	110.25	76.97	187.22	387.80	307.86	695.66	568.80	513.10	1,081.90
PROGRESS ENERGY*	57.89	35.82	93.71	104.19	71.64	175.83	356.23	286.56	642.79	536.49	477.60	1,014.09
TAMPA ELECTRIC**	46.84	31.69	85.61	83.18	63.38	160.71	301.20	253.50	611.28	495.00	422.50	1,011.80

*Rates for municipal utilities INCLUDE payment-in-lieu of tax to the city's general fund. Rates for investor-owned utilities DO NOT INCLUDE franchise fee payments, which average 6% across Florida. AR = FMPA All Requirements; G = Generating utility. **Total includes conservation, capacity, environmental and refund credit (if applicable).

COMPARISON OF COMMERCIAL ELECTRIC RATES COMPILED BY FLORIDA MUNICIPAL ELECTRIC ASSOCIATION, INC. - www.publicpower.com

CITY	75 KW - 15,000 KWH			75 KW - 30,000 KWH			150 KW - 30,000 KWH			150 KW - 60,000 KWH		
	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total
ALACHUA	1,608.75	375.00	1,983.75	2,628.75	750.00	3,378.75	3,172.50	750.00	3,922.50	5,212.50	1,500.00	6,712.50
BARTOW	1,279.73	1,015.35	2,295.08	1,878.23	2,030.70	3,908.93	2,540.48	2,030.70	4,571.18	3,737.48	4,061.40	7,798.88
BLOUNTSTOWN												
BUSHNELL	1,684.70	585.00	2,269.79	2,787.95	1,170.00	3,957.95	3,346.70	1,170.00	4,516.70	5,553.20	2,340.00	7,893.20
CHATTAHOOCHEE	1,149.00	518.84	1,667.84	2,290.50	1,037.67	3,328.17	2,606.03	1,037.67	3,643.70	4,457.03	2,075.34	6,532.37
CLEWISTON	1,537.00	179.85	1,716.85	2,762.50	359.70	3,122.20	3,032.50	359.70	3,392.20	5,483.50	719.40	6,202.90
FORT MEADE	1,376.28	555.00	1,931.28	2,356.50	1,110.00	3,466.50	3,063.00	1,110.00	4,173.00	4,671.00	2,220.00	6,891.00
FORT PIERCE	1,512.90	540.00	2,052.90	2,478.75	1,080.00	3,558.75	2,986.50	1,080.00	4,066.50	4,918.20	2,160.00	7,078.20
GAINESVILLE	1,431.19	780.00	2,211.19	2,019.49	1,560.00	3,579.49	2,601.39	1,560.00	4,161.39	3,777.98	3,120.00	6,897.98
GREEN COVE SPRINGS	1,540.00	495.57	2,035.57	2,455.00	991.14	3,446.14	3,055.00	991.14	4,046.14	4,885.00	1,982.28	6,867.28
HAVANA	1,258.50	742.95	2,001.45	2,511.00	1,485.90	3,996.90	2,511.00	1,485.90	3,996.90	5,016.00	2,971.80	7,987.80
HOMESTEAD	1,369.92	734.25	2,104.17	2,226.42	1,468.50	3,694.92	2,704.17	1,468.50	4,172.67	4,417.17	2,937.00	7,354.17
JACKSONVILLE	1,185.70	759.60	1,945.30	1,656.40	1,519.20	3,175.60	2,286.40	1,519.20	3,805.60	3,227.80	3,038.40	6,266.20
JACKSONVILLE BEACH	1,557.80	762.60	2,320.40	2,461.85	1,525.20	3,987.05	3,099.35	1,525.20	4,624.55	4,907.45	3,050.40	7,957.85
KEY WEST	2,236.32	-15.00	2,221.32	3,907.32	-30.00	3,877.32	4,451.82	-30.00	4,421.82	7,793.82	-60.00	7,733.82
KISSIMMEE	2,244.04	-652.50	1,591.54	3,765.79	-1,305.00	2,460.79	4,432.54	-1,305.00	3,127.54	7,476.04	-2,610.00	4,866.04
LAKE WORTH												
LAKELAND	898.33	787.50	1,685.83	1,241.66	1,575.00	2,816.66	1,766.66	1,575.00	3,341.66	2,453.31	3,150.00	5,603.31
LEESBURG	1,438.66	570.00	2,008.66	2,063.41	1,140.00	3,203.41	2,854.66	1,140.00	3,994.66	4,104.16	2,280.00	6,384.16
MOORE HAVEN	1,436.75	631.50	2,068.25	2,161.25	1,263.00	3,424.25	2,840.00	1,263.00	4,103.00	4,289.00	2,526.00	6,815.00
MOUNT DORA	453.34	1,318.35	1,771.69	534.05	2,636.70	3,170.75	887.30	2,636.70	3,524.00	1,048.73	5,273.40	6,322.13
NEW SMYRNA BEACH	1,514.75	471.15	1,985.90	2,489.75	942.30	3,432.05	2,996.00	942.30	3,938.30	4,946.00	1,884.60	6,830.60
NEWBERRY	1,782.00	354.00	2,136.00	2,799.00	708.00	3,507.00	3,549.00	708.00	4,257.00	5,583.00	1,416.00	6,999.00
OCALA	1,228.20	593.55	1,821.75	1,933.20	1,187.10	3,120.30	2,499.45	1,187.10	3,686.55	3,879.45	2,374.20	6,253.65
ORLANDO	1,095.15	672.60	1,767.75	1,560.30	1,345.20	2,905.50	2,160.30	1,345.20	3,505.50	3,090.60	2,690.40	5,781.00
QUINCY	1,046.97	709.50	1,756.47	1,733.49	1,119.00	2,852.49	2,033.49	1,419.00	3,452.49	3,406.53	2,238.00	5,644.53
ST. CLOUD	1,138.95	699.45	1,838.40	1,622.70	1,398.90	3,021.60	2,246.70	1,398.90	3,645.60	3,214.20	2,797.80	6,012.00
STARKE	1,395.00	564.45	1,959.45	2,709.00	1,128.90	3,837.90	2,709.00	1,128.90	3,837.90	5,409.00	2,257.80	7,666.80
TALLAHASSEE	1,044.93	936.90	1,981.83	1,297.08	1,873.80	3,170.88	2,036.58	1,873.80	3,910.38	2,540.88	3,747.60	6,288.48
VERO BEACH	852.64	900.00	1,752.64	1,340.14	1,800.00	3,140.14	1,666.39	1,800.00	3,466.39	2,641.39	3,600.00	6,241.39
WAUCHULA	1,450.25	508.65	1,958.90	2,425.25	1,017.30	3,442.55	2,835.50	1,017.30	3,852.80	4,785.50	2,034.60	6,820.10
WILLISTON												
WINTER PARK	909.52	810.60	1,720.12	1,470.22	1,621.20	3,091.42	1,806.22	1,621.20	3,427.42	2,927.62	3,242.40	6,170.02
FL POWER & LIGHT *	937.07	627.15	1,564.22	1,179.02	1,254.30	2,433.32	1,857.70	1,254.30	3,112.00	2,341.60	2,508.60	4,850.20
GULF POWER *	917.00	769.65	1,686.65	1,392.50	1,539.30	2,931.80	1,799.00	1,539.30	3,338.30	2,750.00	3,078.60	5,828.60
PROGRESS ENERGY**	873.19	716.40	1,589.59	1,363.54	1,432.80	2,796.34	1,734.79	1,432.80	3,167.59	2,715.49	2,865.60	5,581.09
TAMPA ELECTRIC**	929.10	633.75	1,694.55	1,162.65	1,267.50	2,700.75	1,801.20	1,267.50	3,332.10	2,268.30	2,535.00	5,344.50

*Rates for municipal utilities INCLUDE payment-in-lieu of tax to the city's general fund. Rates for investor-owned utilities DO NOT INCLUDE franchise fee payments, which average 6% across Florida. AR = FMPA All Requirements: G = Generating utility. **Total includes conservation, capacity, environmental and refund credit (if applicable).

COMPARISON OF COMMERCIAL/INDUSTRIAL ELECTRIC RATES COMPILED BY FLORIDA MUNICIPAL ELECTRIC ASSOCIATION, INC. - www.publicpower.com

CITY	300 KW - 60,000 KWH			300 KW - 120,000 KWH			500 KW - 100,000 KWH			500 KW - 200,000 KWH			Addition al Tax
	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	Base Rate (Includes Customer Charge)	Fuel or Cost Adjustment	Total	
ALACHUA	6,300.00	1,500.00	7,800.00	10,380.00	3,000.00	13,380.00	10,470.00	2,500.00	12,970.00	17,270.00	5,000.00	22,270.00	0%
BARTOW	5,061.98	4,061.40	9,123.38	7,455.98	8,122.80	15,578.78	8,423.98	6,769.00	15,192.98	12,413.98	13,538.00	25,951.98	0%
BLOUNTSTOWN													0%
BUSHNELL	6,670.70	2,340.00	9,010.70	11,083.70	4,680.00	15,763.70	11,102.70	3,900.00	15,002.70	18,457.70	7,800.00	26,257.70	0%
CHATTAHOOCHEE	5,210.60	2,075.34	7,285.94	8,912.60	4,150.68	13,063.28	8,682.10	3,458.90	12,141.00	14,852.10	6,917.80	21,769.90	0%
CLEWISTON	6,023.50	719.40	6,742.90	10,925.50	1,438.80	12,364.30	10,011.50	1,199.00	11,210.50	18,181.50	2,398.00	20,579.50	0%
FORT MEADE	6,042.00	2,220.00	8,262.00	8,262.00	4,440.00	13,740.00	10,112.00	3,700.00	13,812.00	15,472.00	7,400.00	22,872.00	0%
FORT PIERCE	5,933.70	2,160.00	8,093.70	9,797.10	4,320.00	14,117.10	9,863.30	3,600.00	13,463.30	16,302.30	7,200.00	23,502.30	0%
GAINESVILLE	4,941.75	3,120.00	8,061.75	7,294.95	6,240.00	13,534.95	8,062.29	5,200.00	13,262.29	11,984.25	10,400.00	22,384.25	0%
GREEN COVE SPRINGS	6,085.00	1,982.28	8,067.28	9,745.00	3,964.56	13,709.56	10,125.00	3,303.80	13,428.80	16,225.00	6,607.60	22,832.60	0%
HAVANA	5,016.00	2,971.80	7,987.80	10,026.00	5,943.60	15,969.60	8,356.00	4,953.00	13,309.00	16,706.00	9,906.00	26,612.00	0%
HOMESTEAD	5,372.67	2,937.00	8,309.67	8,798.67	5,874.00	14,672.67	8,930.67	4,895.00	13,825.67	14,640.67	9,790.00	24,430.67	0%
JACKSONVILLE	4,487.80	3,038.40	7,526.20	6,370.60	6,076.80	12,447.40	7,423.00	5,064.00	12,487.00	10,561.00	10,128.00	20,689.00	0%
JACKSONVILLE BEACH	6,182.45	3,050.40	9,232.85	9,798.65	6,100.80	15,899.45	10,293.25	5,084.00	15,377.25	16,320.25	10,168.00	26,488.25	0%
KEY WEST	8,882.82	-60.00	8,822.82	15,566.82	-120.00	15,446.82	14,790.82	-100.00	14,690.82	25,930.82	-200.00	25,730.82	0%
KISSIMEE	8,809.54	-2,610.00	6,199.54	14,896.54	-5,220.00	9,676.54	15,446.12	-4,350.00	11,096.12	24,755.12	-8,700.00	16,055.12	0%
LAKE WORTH													0%
LAKELAND	3,503.31	3,150.00	6,653.31	4,876.62	6,300.00	11,176.62	6,012.85	5,250.00	11,262.85	8,070.70	10,500.00	18,570.70	0%
LEESBURG	5,686.66	2,280.00	7,966.66	8,185.66	4,560.00	12,745.66	9,462.66	3,800.00	13,262.66	13,627.66	7,600.00	21,227.66	0%
MOORE HAVEN	5,646.50	2,526.00	8,172.50	8,544.50	5,052.00	13,596.50	9,388.50	4,210.00	13,598.50	14,218.50	8,420.00	22,638.50	0%
MOUNT DORA	1,755.23	5,273.40	7,028.63	2,078.09	10,546.80	12,624.89	2,912.47	8,789.00	11,701.47	3,450.57	17,578.00	21,028.57	0%
NEW SMYRNA BEACH	5,583.50	1,884.60	7,468.10	9,183.50	3,769.20	12,952.70	9,283.50	3,141.00	12,424.50	15,283.50	6,282.00	21,565.50	0%
NEWBERRY	6,675.00	1,416.00	8,091.00	10,605.00	2,832.00	12,585.00	11,095.00	2,360.00	13,455.00	17,645.00	4,720.00	22,365.00	0%
OCALA	4,974.45	2,374.20	7,348.65	7,734.45	4,748.40	12,482.85	8,649.45	3,957.00	12,606.45	13,149.45	7,914.00	21,063.40	0%
ORLANDO	4,290.60	2,690.40	6,981.00	6,151.20	5,380.80	11,532.00	7,131.00	4,484.00	11,615.00	10,232.00	8,968.00	19,200.00	0%
QUINCY	4,006.53	2,838.00	6,844.53	6,752.61	4,476.00	11,228.61	6,700.00	4,730.00	11,430.00	11,180.00	7,460.00	18,640.00	0%
ST. CLOUD	4,462.20	2,797.80	7,260.00	6,397.20	5,595.60	11,992.80	7,416.20	4,663.00	12,079.20	10,641.20	9,326.00	19,967.20	0%
STARKE	5,409.00	2,257.80	7,666.80	10,809.00	4,515.60	15,324.60	9,009.00	3,763.00	12,772.00	18,009.00	7,526.00	25,535.00	0%
TALLAHASSEE	4,019.88	3,747.60	7,767.48	5,028.48	7,495.20	12,523.68	6,622.28	6,246.00	12,868.28	8,261.28	12,492.00	20,753.28	0%
VERO BEACH	3,293.89	3,600.00	6,893.89	5,243.89	7,200.00	12,443.89	5,443.89	6,000.00	11,463.89	8,713.89	12,000.00	20,713.89	0%
WAUCHULA	5,606.00	2,034.60	7,640.60	9,506.00	4,069.20	13,575.20	9,300.00	3,391.00	12,691.00	15,800.00	6,782.00	22,582.00	0%
WILLISTON													0%
WINTER PARK	3,599.62	3,242.40	6,842.02	5,842.42	6,484.80	12,327.22	5,907.16	5,349.96	11,257.12	9,607.78	10,699.92	20,307.70	0%
FL POWER & LIGHT *	3,698.96	2,508.60	6,207.56	4,666.76	5,017.20	9,683.96	6,507.13	4,177.00	10,684.13	7,634.13	8,354.00	15,988.13	0%
GULF POWER *	3,563.00	3,078.60	6,641.60	5,465.00	6,157.20	11,622.20	6,892.00	5,047.00	11,939.00	9,254.00	10,094.00	19,348.00	0%
PROGRESS ENERGY*	3,457.99	2,865.60	6,323.59	5,419.39	5,731.20	11,150.59	5,669.40	4,728.00	10,397.40	8,905.34	9,456.00	18,361.34	0%
TAMPA ELECTRIC**	3,545.40	2,535.00	6,079.40	4,479.60	5,070.00	9,549.60	5,871.00	4,225.00	10,096.00	7,428.00	8,450.00	15,878.00	0%

*Rates for municipal utilities INCLUDE payment-in-lieu of tax to the city's general fund. Rates for investor-owned utilities DO NOT INCLUDE franchise fee payments, which average 6% across Florida. AR = FMPPA All Requirements: G = Generating utility. **Total includes conservation, capacity, environmental and refund credit (if applicable).

Analysis of All Requirements Project Exit Alternatives

1. Introduction

WHH has been engaged by the Ft. Pierce Utilities Authority to review certain options contained in the bulk power supply contract with the Florida Municipal Power Agency's All Requirements Project. WHH's engagement includes a review of the All Requirements Project contract, the development of an economic analysis of the future cost of bulk power supply under various scenarios including exercising the Contract Rate of Delivery (CROD) option, a discussion of bulk power supply alternatives and a recommendation for a course of action. This report presents the analysis.

2. Background

The Fort Pierce Utilities Authority (FPUA) is a participant in the Florida Municipal Power Agency's All Requirements Project. This project provides for all of the bulk power supply requirements for FPUA. Bulk power supply typically represents approximately 75 percent of the total costs associated with retail electric service. Thus, the cost of bulk power supply is an important element in the success of FPUA.

The Florida Municipal Power Agency (FMPA) was formed in 1978 with the objective of providing competitively priced bulk power supply and other services to municipal electric utilities. FMPA's first project was participation in the St. Lucie nuclear unit. Subsequently, FMPA created the All Requirements Project (ARP). This project supplied the entire bulk power supply requirements for the five initial participants in ARP. These were Bushnell, Green Cove Springs, Jacksonville Beach, Leesburg and Ocala. All of these cities had purchased their power from other providers and did not generate any power themselves. The ARP commenced delivering power to these initial participants in 1986. Subsequently, after successful legal action to obtain access to Florida's electric transmission grid, the ARP expanded to include the following cities. The year in which they became a participant in the ARP is also indicated.

City of Clewiston	1991
Cities of Vero Beach and Starke	1997
Ft. Pierce Utilities Authority and City of Key West	1998
Cities of Ft. Meade and Newberry, Town of Havana	2000
Kissimmee Utility Authority and City of Lake Worth	2002

Analysis of All Requirements Project Exit Alternatives

The utilities of Vero Beach, Ft. Pierce Utilities Authority, Kissimmee Utility Authority and Lake Worth were all generating utilities as opposed to the founding members. At the end of 2009, the membership totaled 15 municipal utilities and represented retail load of almost 1500 MW.

During recent years, the ARP rates have exceeded the market prices for bulk power supply. WHH notes comparative prices of bulk power supply for other similarly situated entities in the table below. The city of Winter Park has a peak load of approximately 120 MW and the city of Bartow has a peak load of about 80 MW. FPUA's peak load is about 115 MW. Both cities are presently served by Progress Energy Florida. Seminole Electric Cooperative supplies all the electric cooperatives in peninsula Florida with the exception of Florida Keys Electric Cooperative (FKEC). Seminole Electric Cooperative is similar to FMPA in that they are the bulk power supplier to their members. The ten electric cooperatives supplied by Seminole have over 900,000 customers in peninsula Florida. Florida Keys Electric Cooperative (FKEC) is the only cooperative in peninsula Florida not supplied by Seminole Electric. FKEC serves the upper keys and is headquartered in Tavernier. FKEC has a peak load of approximately 115 MW and bulk power supply is provided by Florida Power and Light. WHH believes these entities are representative of the bulk power supply market in Florida.

**Table 2.1
Historical Bulk Power Supply Costs**

	2010	2009	2008
City of Winter Park	\$81.81 ⁽¹⁾	\$80.95	\$81.19
City Of Bartow	\$86.70 ⁽²⁾	\$87.60	\$86.62
Seminole Electric Cooperative	\$80.50 ⁽²⁾	\$80.32	\$74.51
Florida Keys Electric Cooperative	\$69.00 ⁽³⁾	\$77.87	\$89.28
Peer Group Average	\$83.00	\$81.89	\$82.90
FPUA⁽¹⁾	\$91.15	\$99.03	\$92.73

Table Notes:

1. Fiscal year data (October thru September)
2. January – September actual, October – December WHH estimate
3. WHH estimate

As indicated in the table, bulk power costs for the peer group have been below the cost for FPUA during recent years.

WHH believes this situation is likely to continue. As an indicator of the future prices of bulk power supply, WHH has reviewed all competitive solicitations for bulk power supply issued by

Analysis of All Requirements Project Exit Alternatives

municipal electric systems in 2010. The results of these solicitations with the expected cost for 2011 are tabulated below. As is evident, the prices obtained from the recent solicitations are attractive relative to historical prices and reflect the declining price of natural gas and the excess capacity that currently exists in the market. The average of estimated 2011 prices is \$70.26 per MW-hr.

**Table 2.2
Recent Bulk Power Supply Solicitations**

City	Bartow	Winter Park	Quincy	Alachua⁽¹⁾
Successful Bidder	Orlando Utilities Commission	Joint Venture Progress Energy Florida & Seminole Electric Co-op	FMPA	Gainesville Regional Utilities
Term of New Contract	7 years	3 years	5 years	10 years
Peak Capacity	80 MW	110 MW	20 MW	26 MW
Estimated 2011 Price	\$71.10	\$69.22	\$69.68	\$71.05

Table Notes:

1. Solicitation occurred in 2009 but contract was negotiated in 2010.

As a result of the high prices of bulk power supply from ARP, some ARP members have responded by withdrawing. In 2007, the City of Vero Beach notified FMPA that the City was exercising the Contract Rate of Delivery (CROD) option and effective January 2010, would not be obligated to purchase any of its bulk power supply requirements from ARP. Vero Beach's bulk power supply costs have declined approximately 15% as a result of exercising CROD effective January 2010.

Subsequently, the City of Lake Worth also notified FMPA that the City was exercising its CROD option and effective January 2014 the City of Lake Worth will not be purchasing any of its bulk power supply requirements from ARP. Additionally, the Cities of Starke, Green Cove Springs and Ft. Meade have notified FMPA that they are not renewing the ARP contract and their participation in ARP will be terminated effective in 2036, 2037 and 2038 respectively. The City of Ft. Meade also advised FMPA that the City is exercising the CROD option effective 2015