

**Christopher Cooney**

---

**From:** Betty Leland  
**Sent:** Monday, August 17, 2015 10:15 AM  
**To:** Commissioner Correspondence  
**Subject:** FW: Town of Indian River Shores Correspondence to City of Vero Beach  
**Attachments:** 8-14-15 Ltr to VB re FPL Offer.pdf

Good Morning:

Please place the attached e-mail in docket correspondence consumers and their representatives in Docket No. 150000-OT.

Thanks.

---

**From:** Laura Aldrich [<mailto:townclerk@irshores.com>]  
**Sent:** Friday, August 14, 2015 12:12 PM  
**To:** Office Of Commissioner Graham; Office Of Commissioner Edgar; Office of Commissioner Brown; Office of Commissioner Brisé; Office of Commissioner Brisé  
**Subject:** Town of Indian River Shores Correspondence to City of Vero Beach

Dear Public Service Commission Chairman Graham and Members:

Please find correspondence attached from the Town of Indian River Shores to the City of Vero Beach regarding an offer to purchase the Town's electric utility system from the City.

Thank you.

Sincerely,

**Laura Aldrich, MMC**  
**Town Clerk, Indian River Shores**  
6001 N. Highway A-1-A  
Indian River Shores, FL 32963

(772) 231-1771, Extension 121  
Fax (772) 231-4348  
[townclerk@irshores.com](mailto:townclerk@irshores.com)

Visit the Town website <http://www.irshores.com>

**PLEASE NOTE:** Florida has a very broad public records law. Most written communications to or from municipal officials are public records and are available to the public and media upon request. Your e-mail communications may be subject to public disclosure as part of a public records request. If you do not want the potential for your e-mail address to be released, do not send electronic mail to this entity. Instead, contact us by phone or in writing.-- F.S. 668.606

MAYOR:  
BRIAN M. BAREFOOT

VICE MAYOR:  
GERARD A. WEICK

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



TOWN MANAGER:  
ROBERT H. STABE JR.

TOWN CLERK:  
LAURA ALDRICH

TOWN ATTORNEY:  
CHESTER CLEM

6001 State Road A1A, Indian River Shores, FL 32963  
(772) 231-1771 FAX (772) 231-4348  
www.irshores.com

August 14, 2015

*Via Electronic Mail*

The Honorable Richard Winger  
Mayor, City of Vero Beach  
1053 20th Place  
Vero Beach, FL 32960

Dear Mayor Winger:

On August 12, 2015, I was copied on a letter that Florida Power & Light (FPL) sent to you which extends a written offer to purchase the City of Vero Beach's electric utility system in our Town for \$13,000,000 cash. As you know, the Florida Municipal Power Agency has publicly stated it would not oppose the partial sale of the Indian River Shores system. Therefore, I encourage you and your fellow Councilmembers to give FPL's written offer serious consideration, as I believe the offer is fair, and a negotiated sale offers the best opportunity for us to put an end to our electric rate crisis and avoid further litigation.

As you will recall, our utility rate consultant, former Florida Public Service Commission (PSC) Chairman Terry Deason, conducted a preliminary financial analysis during our earlier mediation that showed how such a sale could provide the City with funds to protect its remaining customers. FPL's written offer to the City incorporates a cash purchase price that is much higher than Mr. Deason had projected in his earlier preliminary analysis. Therefore, I asked him to update his analysis based on FPL's recent written offer. His updated analysis is appended for your review as Attachment "A."

There are four salient findings in Mr. Deason's analysis that I would respectfully ask that you and your Council consider:

- FPL has made a bona fide offer that is in line with the Florida market. In fact, the \$13,000,000 cash offer represents a per customer price that significantly exceeds that which was determined as reasonable by the courts and court-appointed arbitrators in other Florida municipal utility system valuations.

- FPL's offer would be beneficial to all stakeholders, including the City, the Town and all of the City's customers. With an assumed interest rate of 5%, expert analysis shows that the City could use FPL's \$13,000,000 cash offer to replace the "lost" contribution from Indian River Shores' customers in perpetuity. Assuming an interest rate of 4.11% -- the City's current cost of debt -- FPL's cash offer would replace the "lost" contribution for the next 72.9 years.
- Irrespective of the interest rate, FPL's cash offer will provide sufficient revenue for the City to stabilize its rates for all remaining customers far into the foreseeable future.
- To further ensure that the public is protected, the sale of the Indian River Shores system to FPL would have to be approved by the PSC.

I understand that the City is looking at other potential ways to reduce its rates, including possibly restructuring some of its wholesale power contracts. FPL's bona fide offer to purchase the Indian River Shores system surely can work in tandem with those efforts to provide both immediate and long-term benefits to the City and its remaining utility customers. Indeed, as Mr. Deason's analysis shows, FPL's written offer would provide substantial lasting assistance to the City in its efforts to reduce rates.

I sincerely believe that a sale based on FPL's written offer not only will resolve our litigation, but will have an enduring and beneficial effect on the City's revenues and utility rates. It is my hope that the City, FPL and our Town will take advantage of this opportunity, and use FPL's initial offer as a catalyst for more meaningful discussions that benefit all of the constituents we serve. I look forward to participating in those discussions and to your response.

Sincerely,



Brian M. Barefoot  
Mayor  
Indian River Shores

cc: Indian River Shores Vice Mayor and Town Council  
Indian River Shores Attorney Chester Clem  
City of Vero Beach City Council  
City of Vero Beach Finance Commission  
City of Vero Beach Utilities Commission  
Mr. James O'Connor, City of Vero Beach City Manager  
All Florida Public Service Commission Commissioners  
Representative Debbie Mayfield  
Senator Joe Negron  
Senator Thad Altman

**Attachment "A"**

**MEMORANDUM**

August 13, 2015

To: Mayor Brian M. Barefoot

From: Terry Deason 

Cc: Vice Mayor Gerard A. Weick  
Councilman Richard M. Haverland  
Councilman Michael B. Ochsner  
Councilman Thomas F. Slater  
Town Manager, Robert H. Stabe Jr.

Re: Analysis of Florida Power & Light's Written Offer Dated August 12, 2015

---

I would like to provide you my initial analysis following my review of FPL's letter to the City of Vero Beach dated August 12, 2015, wherein FPL offered to purchase the Indian River Shores electrical system for \$13,000,000 cash.

At the outset, I note that FPL's cash offer of \$13,000,000 represents a per customer price that significantly exceeds that which was determined to be reasonable for the purchase and sale of the South Daytona and the Winter Park electrical systems. While each system sale has unique factors and must be evaluated as such, the offer from FPL is certainly of the magnitude which would merit careful consideration and evaluation.

The offer appears to be a bona fide one which would be beneficial to all stakeholders, including the City of Vero Beach, its customers, and the Town of Indian River Shores. It also should be noted that the purchase price paid by FPL would have to be justified by FPL to the Florida Public Service Commission ("PSC"). The PSC would ultimately determine whether the acquisition is in the public interest for all stakeholders, including FPL's existing customers. I make no judgment on that question, only to point out that it is an obligation of FPL to structure an offer which it believes would pass muster with the PSC.

Several months ago, as part of the mediation process in which we were earlier engaged, I performed some sensitivity analyses of the potential benefits to the City of Vero Beach from the sale of the Indian River Shores system. At that time, we did not have the benefit of a bona fide offer from FPL. Now that we do and at your request, I have updated those analyses to include FPL's \$13,000,000 cash offer. The resulting tables are attached for your review.

Let me reiterate, as was the case when these analyses were first presented, it is not my intent nor that of the Town of Indian River Shores to presuppose that a specified use of the sale proceeds would be more appropriate or beneficial than another. How the sale proceeds ultimately

are used will be a decision for Vero Beach's elected officials. However, as a means to put in perspective the magnitude of these benefits, I have taken two approaches:

- The first approach shows the number of years that the sale proceeds of \$13,000,000 could be used to replace the lost contribution from the Indian River Shores customers<sup>1</sup> to Vero Beach's general fund. My analysis shows, depending on the interest rate assumed, the lost contribution could be replaced in perpetuity. At the City's current cost of debt of 4.11%, sale proceeds of \$13,000,000 would replace the lost contribution for 72.9 years.
- The second approach looks at the potential benefits of using sale proceeds of \$13,000,000 to, in effect, create a sinking fund for the retirement of the City's 2003A Electric Bonds. Doing so could have the benefit of reducing debt payments by almost \$2.4 million per year with a cumulative savings over the remaining life of the bonds in excess of \$14.3 million.

Under either approach, sale proceeds of \$13,000,000 could be employed to stabilize electric rates for the benefit of all of the City's customers. Undoubtedly, there would be other beneficial uses of the sale proceeds. Based on their better understanding of the needs of the City of Vero Beach, the City Manager and the City Council could make those judgments.

TD  
Attachments

---

<sup>1</sup> For purposes of my analysis, I have accepted the City's quantification of this amount of \$542,000 annually. I made no independent verification of this amount.

# Town of Indian River Shores Buyout

## Transfer Coverage Range Analysis

The following is a calculation for the number of years that the decrease in the transfer to the General Fund would be covered if FPL were to buyout the City of Vero Beach.

Decreased Transfer \$542,000 (According to City of Vero Beach)

Buyout	No Return	3.0%	4.11% <sup>1</sup>	5.0%	6.0%
\$ 6,000,000 <sup>2</sup>	11.1	13.2	14.3	15.4	16.9
\$ 9,400,000 <sup>3</sup>	17.3	23.8	28.7	35.8	68.7
\$13,000,000	24.0	40.6	72.9	perpetuity	perpetuity

---

<sup>1</sup> Rate applicable to the City of Vero Beach Electric Refunding Revenue Bonds, Series 2003A.

<sup>2</sup> Approximate buyout at the per customer rate determined for South Daytona.

<sup>3</sup> Approximate buyout at the per customer rate determined for Winter Park.