

UTILITY ADVISORY COMMITTEE

The Indian River County (IRC) Utility Advisory Committee (UAC) met at 2:00 p.m. on Thursday, April 1, 2010, in Conference Room "B1-501", County Administration Building, 1800 27th Street, Vero Beach, Florida.

Present were:

William Johnson, District 3 Appointee
Dr. Stephen Faherty, District 5 Appointee
Carlton Miller, Member at Large
Bill Jenkins, District 4 Appointee

Absent were:

Andrew Allocco, District 2 Appointee
John Tschinkel, Member at Large

Also present were:

Joseph E. Flescher, Commissioner Liaison
Erik Olson, Director, IRC Utilities;
Himanshu Mehta, Solid Waste Disposal District;
Mike Hotchkiss, Project Manager, IRC Utilities
Maria Resto, Commissioner Assistant

Others present:

Larry Close, Interested Citizen
Brian Heady, City of Vero Beach Councilmember
Dale Simchick, Interested Citizen
Glenn Heran, Interested Citizen
J.R. Tonkel, Interested Citizen
Sabe Abell, City of Vero Beach Councilmember
Warren Winchester, City of Vero Beach Financial Committee

****The written minutes will only consist of the motions, decisions requiring action and additional information as appropriate. An audio copy of the meeting will be provided upon request.***

Call to Order

Dr. Faherty called the meeting to order at 2:02 p.m.

Approval of Minutes of January 14, 2010

Dr. Faherty asked if there were any changes or corrections to the minutes. Mr. Winchester pointed out on page 3 the minutes stated “consolidation process” with no mention of the other possibilities being considered. Ms. Resto responded the minutes reflect what was stated during the meeting but will make a note for future meetings. Mr. Winchester added that page one of the minutes states “the minutes will only consist of the motions and decision requiring action” and pointed out the minutes included 8 pages of information.

Discussion ensued regarding the length and information included on the minutes. There was a consensus to include additional information as necessary during the utilities issue discussions.

ON A MOTION BY Mr. Miller, SECONDED BY Mr. Jenkins, the members voted unanimously (4-0) to approve the minutes of January 14, 2010 as presented.

ON A MOTION BY Mr. Jenkins, SECONDED BY Mr. Miller the members voted unanimously (4-0) to include additional information on the minutes during the period of time where the electric, water, sewer and irrigation issues are being discussed.

Update on the Alternatives to Water, Sewer and Irrigation*

* The item was included on the agenda as Update on Utilities Consolidation Process and per request changed to Alternatives to Water, Sewer and Irrigation.

Mr. Olson provided a brief recap on the analysis for alternatives to water, sewer, and irrigation. He explained they moved forward with a Request for Qualification (RFQ) for a consultant to conduct a study on the issue. He emphasized there were multiple options available. He added during the selection process the firm that ranked at top was GAI. Mr. Olson gave an overview of GAI past work with the County. He said there was a meeting with consultants from GAI on April 15, 2010 to outline the final scope of work. He gave emphasis to the fact that there were multiple options available, it was not

simply a consolidation issue, and stated the driving force of any decision was financial in nature.

Discussion ensued regarding the options for utility system, timeframe for the study, and avenues for citizen participation during the process. Mr. Olson explained all information was going to be presented to the Board of County Commissioners for consideration and therefore citizens could bring their comments to the commission meetings.

Presentation on the City of Vero Beach Electric- *(Financial model on the City's electric)*

Dr. Faherty provided a PowerPoint presentation, a copy of which is on file at the Commission Office. The presentation included the following:

- An electric bill rate comparison for COVB County, COVB IR Shores, COVB City, FPL, and OUC. Dr. Faherty pointed out the COVB rates for the month of March were 34% higher than those of FPL.
- A chart with total number electric customers served by the COVB (33,231) and the COVB revenue expectation for 2009-2010 (an estimated 92 million dollars, compared to 68 million dollars for FPL)
- An example of taxpayer annual cash outlay
- A COVB and FPL 10 year bill comparison, pointing out that on average the COVB was 23% higher than FPL.
- An excerpt of a letter from John Little, former Director of the COVB Utilities, Chair of the COVB Utility Advisory Committee, and Executive Director of the Florida Municipal Electric Association (FMEA) urging for regulation on municipal rates.

Dr. Faherty introduced Mr. Glenn Heran who provided a presentation on the City's electric model. Mr. Heran explained the purpose of the model was to illustrate the relationship between fair market value of the electric utility system, the effect on property taxes and the effect on customers receiving FPL rates.

Mr. Heran prefaced his presentation with a clip from Board of County Commission meeting of August 12, 2008. The clip was from a presentation Dr. Faherty did before the Board to assist in the Mayfield legislation and showed Mr. Gabbard stating that the COVB electric was a hundred million dollar operation. Mr. Heran clarified the COVB electric was a hundred million dollar *revenue* operation, not assets. He said the system value was worth between 200 and 300 million dollars and that the underground portion alone was worth around 100 million dollars. Mr. Heran said the purpose of the clip was to establish a range for fair market value and to be used as a basic reference for the model.

Mr. Heran continued with a detailed explanation of the mechanics of the model. The model included a line for variables including variables for: transmission and distribution sale price, base load generation investments sale price, power plant land sale price, enterprise liabilities fees, underfunded pension (electric only), transmission and distribution buyback, and OUC exit penalty.

Mr. Heran provided scenarios for a transmission and distribution sale with the prices of 300 million dollars, 200 million dollars, 150 million dollars, 70 million dollars, and 0 dollars (giving the system away) and factored in the other variables (enterprise liabilities, penalties, underfunded pensions, etc). With each scenario he illustrated the results from the sale, including:

- The total customer/county wide benefits
- 10 year savings by jurisdiction
- Electric bill savings and income from sale proceeds vs. property tax change
- Electric bill saving via sale to FPL

Mr. Heran said that based on the analysis every scenario showed the city better off by selling to FPL. He hoped the City would understand this conclusion and join the County and the Indian River Shores in their effort.

Mr. Heran presented a map of the investor-owned utilities in the state of Florida. The map showed that FPL was in the entire section surrounding the City. He added FPL was a natural buyer and had the lowest rates in the state.

A lengthy discussion ensued regarding: the COVB electric; the possibility of selling to FPL; the possible employment/job loss impact for selling COVB electric; the participation/attendance of COVB officials to UAC meetings; and the purpose and role of the committee in regards to the COVB electric issue.

Other Matters

There were none.

Adjournment

There being no further business the meeting was adjourned at 3:22 p.m.