

**City of Fort Lauderdale
Utility Advisory Committee
Tuesday, May 22, 2007 – 6:30 p.m.
100 North Andrews Ave., 8th Floor Conference Room
Ft. Lauderdale, Florida 33301**

Committee Member	Attendance	Jan. 2007 to Dec. 2007 Cumulative Attendance		
		Present	Absent	Total
Bunney Brenneman, Chair	P	6	0	6
Bernie Petreccia, Vice Chair	P	5	1	6
Terri Murru	A	5	1	6
Richard Barrett	P	6	0	6
Bob Caine	P	4	2	6
L. Thomas Chancey	A	5	1	6
Bob Cole	P	5	1	6
Fred Stresau	P	6	0	6
Nathaniel Wilkerson	A	4	2	6
Dr. Magdalene Lewis (arrived at 6:43)	P	5	1	6
Clare Vickery (arrived at 6:43)	P	5	1	6
Dr. Geri Udell	A	4	2	6
Caldwell Cooper (arrived at 6:48)	P	4	2	6
Raymond Parker	P	1	0	1

City Representatives

Peter Partington, City Engineer
Robert Dunckel, Asst. City Attorney
Joanne Rizi, City Controller
Travis Woods, Recording Clerk, Prototype, Inc.

Guests

Lynn Shatas, FPL
Rod Macon, FPL
Michael Weiss, CSI Associates
Nadine Mentor, CitiGroup
Trenton Allen, CitiGroup
Trevor Underwood

I. Call to Order

Chair Brenneman called the meeting to order at 6:36 p.m.

Chair Brenneman mentioned the City Clerk's "Better Meetings Academy" scheduled for June 5, 2007 at 5:45 p.m. and those members required to attend.

II. Roll Call

Roll was called and attendance noted.

III. Self Introductions

Committee members and guests introduced themselves. New member, Raymond Parker, introduced himself and was welcomed to the Committee.

IV. Minutes of April 26, 2007 Meeting

Motion made by Mr. Petreccia, seconded by Mr. Stresau, to approve the minutes of April 26, 2007 with the correction as noted regarding Mr. Underwood.

V. Old Business

- **Line Clearing Update**

Deferred pending the arrival of Ms. Shatas. It was Chair Brenneman's understanding that there is no additional line clearing pending. Imperial Point has been finished.

- **Status on RFP-Consulting Services-Electrical Infrastructure Needs Assessment & Strategy**

Mr. Partington indicated there have been no new developments since the last meeting other than reporting to the City Manager the previous motion made by the UAC with the suggestion that either Mr. Stresau or Mr. Cole be on the RFP selection group. Mr. Stresau announced that he had been appointed.

Ms. Shatas then arrived, indicating she had no new information with regard to line clearing.

She did note that on a number of occasions comments had been brought up regarding monitoring devices for power plants. She stated the website for Broward County EPD showed a map indicating where all monitoring sites are located. The sites are in place to check overall ambient air quality and not specific as to a single facility; however, as the Port Everglades power plant is a large facility, EPA (Federal) and DEP (State) had found a site mutually agreed upon to monitor SO₂ from the power plant (site #28) at 600 Northwest 19th Avenue, Fort Lauderdale. Ms. Shatas provided information to the Committee pertaining to Broward County monitoring networks.

- **Update on Undergrounding**

Mr. Partington stated that discussion before the City Commission was regarding the possibility of the City getting back into the assessment process to undertake undergrounding. Minutes of that portion of the City Commission discussion were distributed.

Motion made by Mr. Caine, seconded by Mr. Cooper, to recommend that the City Manager place the model FPL undergrounding ordinance on an upcoming City Commission conference agenda for discussion and consideration.

Mr. Dunckel stated that the proposed ordinance regarding development had been distributed to relevant personnel throughout the City, i.e., to Planning & Zoning, etc., and no further action had been taken.

Mr. Cole asked to clarify the two issues; one was the proposal for FPL to pay 25% for undergrounding (retrofit) and one related to undergrounding at new construction projects.

In a voice vote, the **motion** passed unanimously.

Mr. Partington also reported that Mr. Underwood, as had been requested, did make a presentation to the City Commission on his municipalization proposal, a part of which involved undergrounding.

Mr. Caine felt it would be a mistake to forego all undergrounding awaiting the City Commission's decision regarding municipalization.

In response to Ms. Vickery's inquiry regarding action necessary by the City Commission as to the 25% FPL co-pay, Mr. Partington explained that one of the Commissioners had wanted to discuss moving forward on undergrounding in certain neighborhoods availing themselves of the 25%; however, it will require City sponsorship of the program and 75% of the cost to be paid by means of an assessment. A decision was made at that time not to move in that direction. One of the downsides would have been reactivating an assessment program which will require additional staffing. Subsequently, there was consideration of hiring out administrative tasks to the private sector and including that cost in the overall assessment.

- **Other Old Business**

Committee feedback on the Energy Roundtable included comments as follows.

Ms. Vickery stated she spoke to residents after the Roundtable who had expressed interest, although several had suggested they would like clarification on the changes as they relate to each utility, providing an overview of the difference between City and privately-owned utilities. Overall, she felt the presentation was well balanced.

Chair Brenneman noted she had received much of the same input – that the residents were having trouble understanding the complex issues. She suggested placing this matter on the agenda for further discussion, i.e., providing a more educational message or some type of brochure for the public.

Mr. Petreccia agreed the issues are complex, especially Mr. Underwood's proposal, and further education is needed.

Mr. Caine felt one of the "big holes" is the type of company that will take over the responsibilities for municipalization. He suggested the Committee should invite a "potential company" to give a short presentation on how it would be done.

Mr. Underwood clarified he would propose a "municipal distribution utility" or authority to take over the functions to be managed. He added that the RFP is crucial to the process of analyzing the engineering and cost issues, including acquiring the assets and purchasing the electricity, as well as profit estimates. Once the RFP is awarded and the work completed, numbers will be available on the cost benefit aspect of municipalization and undergrounding. Current rough estimates are based on comparative studies conducted in other cities. Mr. Underwood asserted that the most crucial step is to obtain those precise figures.

Mr. Caine and Mr. Barrett both felt that actual numbers would be needed to properly educate the public as now they are simply talking theories and proposals. Mr. Parker pointed out that the cost the City will have to pay to buy the existing infrastructure will have to be negotiated with FPL and there is no way to know what those numbers will be until those negotiations commence. It was pointed out by Mr. Partington that although the purpose of hiring a consultant is to make that determination, the range could be substantial as circumstances are unique for each city.

Mr. Weiss, CSI Associates, introduced himself stating that his experience has been in helping private developers; one of the projects they have consulted on is the "Exchange Project" which took over an old BellSouth facility, having been hired to plan the utility undergrounding.

Mr. Weiss pointed out the following considerations:

- Enhancement of reliability, capacity, safety, and economics
- Negotiating with BellSouth and Comcast to be included in the scope of the budget and analyzing feasibility

Ms. Vickery asked, after the RFP candidate is selected, when the first “substantial product” or interim reports may be submitted. Mr. Partington responded that that would be difficult to say and did not know when the work products would come before the Committee. Ms. Vickery continued that many critical issues could not be addressed without further education. A final report is not anticipated until: 1) a selection has been made on the RFP; 2) the City Commission authorizes negotiation with the recommended consultant; 3) determination of a scope of work with the consultant; 4) generation of a time line and cost; and 5) cost approval by the City Commission. It will be several months before the consultant is actually brought on board and can begin work.

Mr. Cooper questioned how other power companies would send their power to Fort Lauderdale and was advised by Mr. Underwood that the Federal Energy Commission has established a system of wholesale competition and open access through transmission lines with rules ensuring access to electricity at the wholesale level. He mentioned previous instances where the original electricity provider ended up being awarded the contract as the lowest bidder.

Mr. Macon supplemented Mr. Underwood’s explanation by stating that approximately 70% of an electricity bill is for the cost of fuel and generation of power and the fact that there are no power plants in Fort Lauderdale is a consideration, meaning if the City owned the distribution system it would have to bid for and import power, a step which is taken at the very end of the municipalization process, and will include price of generation and fuel as well as transportation and line loss costs (the farther the power travels, the more power is lost). In further clarification, Mr. Petreccia indicated the distribution line starts from the substation and it is power from the substation that will be municipalized.

VI. New Business

• Municipalization & Financing

Mr. Trenton Allen, Vice President of CitiGroup, advised that he has worked with several public power agencies and has dealt with such issues as fallout of deregulation, supply and generation of new capacity for increased demand, retirement of existing plants, renewal of energy, and meeting future demands. Municipalization has been his main focus in the past four years, having worked with four different municipalities in helping them to identify and understand key issues of municipalization. He agreed it would be difficult to compare and draw a direct correlation between cities which have municipalized their electricity, adding that Florida will have unique circumstances and experiences.

Using a previous case study from Montana, Mr. Allen explained circumstances regarding a utility bankruptcy, lack of reliable power, desire to create a new utility statewide, and building of a framework to create a utility.

Mr. Allen pointed out that not only is municipalization about “dollars and money,” but about public process, including stakeholders and customers believing that municipalizing is in the best interest of the overall community. Key lessons from previous experience have been: 1) leadership committed to making the change; 2) public commitment to the overall goal of the project, including the benefits of undergrounding; 3) availability of a willing utility seller; and 4) being prepared for the “long haul.” Mr. Allen acknowledged that in Fort Lauderdale, timing is an advantage in that there is an option to look at the franchise agreement, eliminating many of the struggles other municipalities have had in enticing the utility to sell.

The first step, according to Mr. Allen, is determining asset value and obtaining a professional consulting engineer to assess and evaluate the current system. And, from a financial standpoint, ascertaining revenues and expenses, financing, and net revenue/cash flow. Creating and utilizing the system in its current configuration is also a financial consideration, as well as the cost of maintaining the system. Another key factor is determining rate structures to meet operating expenditures, pay for debt service, provide for liquidity and other reserves when necessary, and determine bond credit worthiness.

Other key *pro forma* considerations include:

- Phasing in of undergrounding over time
- Using a tax exemption for transactions be done on a tax-end basis
- Issuance of tax exempt bonds to purchase assets
- Coverage and reserve levels
- Type of debt to be sold
- Obtaining liquidity facilities (lines of credit) for operating cash
- Circumstances which may interrupt service

Mr. Allen indicated they have been able to create financing plans for municipalization, providing reports to the agencies regarding their investment grade if bonds were sold, allowing CitiGroup the know-how to structure the plans, understanding issues from a bondholder standpoint, and how to put the total package together.

Another key issue is power supply and, as a municipality, Fort Lauderdale will have choices which include: 1) building or buying the generating assets, 2) joining with similar municipal-owned utilities in the State, 3) becoming an “all requirements” customer, 4) bidding to buy and secure contracts for power, or 5) separating or combining the functions for distribution and power supply.

Mr. Allen added that the City will have to decide on the ultimate structure of the entity they want in charge of running the municipal utility. It will have to be either a City department similar to the water department with rates set by the City Commission or an independent authority able to make business decisions for the utility.

Mr. Barrett asked regarding rate setting by the PSC and was advised by Mr. Allen that most municipal utilities have full rate setting authority and are not under the jurisdiction of the PSC or other State agencies. From a lender standpoint, the financial institution will be concerned with the entity responsible for setting and controlling rates. The rate level set, rate covenant, and coverage obtained as an operating entity will determine creditworthiness. Higher coverage levels mean less borrowing ability. It may be necessary to phase in portions of the project over time if fewer funds are borrowed up front.

Mr. Parker inquired whether Mr. Allen had come across a municipality wishing to purchase or create their own communication lines and was advised not in a situation such as being considered by Fort Lauderdale, although there are cities which own their own fiber and run their own cable system.

In response to Chair Brenneman's question, Mr. Allen stated there would be an initial bonding for the acquisition which would essentially cut ties with FPL from the franchise agreement standpoint. There would then be subsequent transactions allowing the City to pursue more aggressive undergrounding with financing alternatives permitting progressive or faster implementation of the program.

Mr. Partington asked, since the actual costs of acquisition are unknown, if it would be financially the most responsible action to pursue a course initially acquiring the assets without committing to undergrounding within a specific period of time. Mr. Allen indicated that could be one approach, however, performance models and analyses can be created looking at the alternatives and differing scenarios depending on the City's priorities. Financial risk elements were mentioned when involving undergrounding due to unknown factors, such as cash flow to support bonds. Mr. Allen responded that is an instance where rate setting becomes significant. It would be up to the City Commission or utility authority to determine the best time to pursue additional projects, although financial models can be prepared based on different rate structures to show viability of moving forward with undergrounding at certain phases.

With regard to municipalization of cable service, Mr. Allen indicated that in Georgia there had been a competing company, however, in most areas there was no alternative cable.

It was noted that the most common independent authority is a city department.

Determination in changes of rights-of-way agreements with utilities has not been addressed by Mr. Allen.

Mr. Stresau pointed out that the City has hurricane exposure and asked, as a bonding company, how that issue is addressed as far as the purchase of the system and future operational ability. Mr. Allen stated there may be a need for increased reserves to deal with hurricanes, although undergrounding would be a mitigating factor. Ms. Mentor added that most of her clients are in Florida and prone to hurricanes and rating agencies look favorably on having a hurricane protection system in place. Mr. Barrett also stated that FEMA funds would be available to a municipality-owned utility.

Mr. Partington asked if it would be possible to structure a selection process to address the entire project as one package, in lieu of City staff dealing with each individual element. Mr. Allen stated that in the past overall consulting services have been bid with a joint proposal submitted by different companies, although he did not think that option was as beneficial as the City selecting each individual consulting firm. Mr. Underwood encouraged putting a consortium together of experts and legal advisors.

Mr. Macon asked in how many instances did the existing investor-owned utility eventually end up being taken over by the local municipality. Mr. Allen answered that of the four he dealt with, in three instances that did not happen, and one case is ongoing - finding a seller has been the main obstacle.

- **Other New Business**

None.

VII. Good of the Committee

Chair Brenneman reiterated that Committee and Subcommittee Chairs and Vice Chairs are required to attend the "Better Meetings Academy" scheduled for June 6, 2007.

A meeting of the Infrastructure Subcommittee needs to be scheduled with Ms. Shatas in order for FPL to continue its process of siting a new substation south of State Road 84 on County-owned land next to the fire station.

VIII. Next Meeting

UAC Regular Meeting: Tuesday, June 26, 2007 @ 6:30 pm
Energy Workshop – November 17, 2007 at 10:00 am

Chair Brenneman provided an agenda as well as a Pareto information packet for the June meeting which, under "New Business" has an item regarding a presentation to be

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given on "Energy Independence Districts" by the Pareto President. Copies will be mailed to Committee members not in attendance.

Mr. Barrett asked regarding the status of Water Works 2011 water tower siting. Mr. Partington stated he would find out and report back on that matter.

Chair Brenneman will email to all members a list of the Tree and Infrastructure Subcommittee members.

IX. Adjourn

With no further business to discuss, the meeting adjourned at 8:32 p.m.