

**UTILITY ADVISORY COMMITTEE  
CITY OF FORT LAUDERDALE  
CITY HALL 8<sup>TH</sup> FLOOR CONFERENCE ROOM  
100 NORTH ANDREWS AVENUE  
FT. LAUDERDALE, FLORIDA 33301  
FEBRUARY 24, 2009 – 6:30 P.M.**

Cumulative  
January 2009 -  
December 2009

<u>Committee Member</u>	<u>Attendance</u>	<u>Present</u>	<u>Absent</u>
Bunney Brenneman, Chair	P	2	0
Robert Caine	A	1	1
L. Thomas Chancey	P	2	0
Chris Chiari (arr. 6:56 p.m.)	P	2	0
Robert Cole	P	2	0
Dr. William Goetz (arr. 6:34 p.m.)	P	2	0
Don Larson	P	2	0
Terri Murru	P	1	1
Raymond Parker	A	1	1
Frances Smoot	P	2	0
Fred Stresau	P	2	0
Claire Vickery (arr. 7:16 p.m.)	P	1	1

**Staff**

Peter Partington, City Engineer and Staff Liaison  
Bob Dunckel, Assistant City Attorney  
Brigitte Chiappetta, Recording Secretary, Prototype, Inc.

**Guests**

Gregory L. Booth, President, Power Services Inc.  
Peter Rant, Vice President, Power Services Inc.  
Scheff Wright, Power Services Inc.  
Lloyd Shank, Power Services Inc.

**I. Call to Order**

The meeting was called to order at 6:30 p.m. by Chair Brenneman.

She announced that there will be a change of location for the Committee's March 24, 2009 meeting, as the City is closing its 8<sup>th</sup> Floor for repairs from March 23-28. The location of the meeting has yet to be determined.

## **II. Roll Call**

Roll was called and it was determined a quorum was present. Chair Brenneman noted that two members had informed her they will arrive at the meeting close to 7:00 p.m.

## **III. Self Introductions**

Self-introductions were made by all Committee members, Staff, and guests.

Dr. Goetz joined the meeting at this time (6:34 p.m.).

## **IV. New Business: Consultants' Overview & Review of RFP #3**

### **A. Overview of Franchise Agreement Review**

Mr. Partington distributed copies of the Scope of Work for RFP #3 as a reminder for the Committee members. He advised that at this point, consultants are only engaged by the City for Phase I of the Scope of Work; anything after this point is not included.

Gregory Booth, President of Power Services Inc., informed the Committee that Mr. Wright would present an overview of the franchise agreement. Mr. Rant would discuss the field work, as he and his team have been in Fort Lauderdale to gather information. He would then present the Committee with an update on the meeting with FPL.

He stated that the consultants are in an early stage in gathering information; in addition, he specifically requested the Committee's input, particularly with regard to undergrounding. As there are different segments of the City with diverse characteristics, he pointed out that some areas will have more problems with others when storms occur. Mr. Booth also noted that some parts of the City are already undergrounded.

He encouraged Committee members to ask questions at any time.

Mr. Wright advised that he has looked at franchise renewals and renegotiations for several cities, including those with FPL franchises. He affirmed that there will be no recommendations made tonight, but he would discuss conceptual options and issues that will be addressed in his written report.

Procedurally, he informed the Committee that the City has three options: it may renew the existing franchise; it may extend the existing franchise for a shorter period, such as five to ten years; or it may negotiate a new franchise agreement with FPL.

From the City's perspective, one key issue will be the franchise fees to be paid to the City by the utility company. There are also three principal issues regarding franchise fees: the rate, the revenues to which the rate is applied, and the deductions from the product of the previous two variables to arrive at a final payment.

In the present franchise, there is a defined set of revenues – residential, industrial, and commercial – that excludes governmental or public authority payment, such as street lighting. From that, to determine the franchise to be paid, are deducted all taxes, licenses, permits, charges, and like considerations. In the new form of franchise agreement that FPL is offering to cities throughout its service area, they are eliminating the deduction of the ad valorem property tax revenue as an offset, which would produce more revenue.

In the existing franchise, the City's right to purchase is pursuant to a contractually specified formula. There is some question as to what happens after the franchise fee expires; this could be addressed in a franchise agreement, Mr. Wright noted.

There are issues regarding the scope of the franchise to be granted, he continued. One is the scope of services that FPL would be authorized to provide under the franchise, such as electric services only or electricity "and other services." Another issue related to scope would be the areas in which FPL is authorized to conduct its activities. The franchise includes broad language, including streets, roadways, rights of way, "and other public places," which is language the City might want to consider further, should franchise negotiations continue.

Many of the issues he has named were not addressed in the current franchise agreement, Mr. Wright pointed out, as it is a 30-year-old document that is a renewal of a yet earlier franchise. Owing to the age of the agreement, some present issues could not have been anticipated, such as the City's right to purchase electricity from third parties, which is addressed in the franchise agreement FPL has proffered to other cities.

There are also issues of the City's rights, assuming that statutes might change in the future to allow the City to engage in the retail sale of electricity; the question in this hypothetical situation would be with respect to the franchise's actions, should this occur. Similar issues of City rights include their ability to wheel electric generators from one City facility to another over FPL's lines at a fair rate. There is also a severability clause, an example of which is contained in the present franchise agreement, stating that should any part of the agreement be legally invalidated, all other parts of the agreement remain in effect. In more recently proposed franchise agreements, Mr. Wright noted, FPL includes a

severability clause that voids the entire franchise if a single part of the agreement is legally invalidated.

Other potential issues include termination rights and dispute resolution, he continued. In the franchise agreement, FPL agrees to interfere “as little as possible” with motor vehicle traffic; he informed the Board that at least one City has asked that this include pedestrian and other vehicular traffic as well.

Another possible issue is a “most favored nation” clause, which states that the franchise is non-exclusive and the City could grant an electrical franchise to another entity. While Mr. Wright asserted that this would not be likely to happen in practical terms, as it could invoke territorial dispute jurisdiction, the clause would require the City to modify its agreement with FPL to assure that both contracts are considered equal. At issue is the inclusion of a corresponding clause in the City’s favor: for example, if FPL entered into an agreement with another municipality that was considered more advantageous, their contract with Fort Lauderdale might require modification to ensure that it remains “as well-off” as the other city.

Mr. Larson asked if a clause is included that would mandate mediation before litigation. Mr. Wright stated that his experience has been that FPL prefers litigation. He added that his own preference, as an attorney, is for “alternate dispute resolution,” which would be mediation, or binding or non-binding arbitration. He could not specify that either alternative would be more advantageous to the City than litigation.

An advantage of arbitration, he pointed out, is that it is quicker and less costly than litigation. An arbitrator or arbitration panel generally has wide latitude to make just and equitable awards; once this is done, under a valid arbitration clause in a contract, the matter is settled.

Other issues for consideration include what would happen to the City, should it default on its obligations under the franchise agreement, or, conversely, what would happen should FPL default.

Mr. Partington reaffirmed that the consultants are present during an early stage of their study to provide the Committee with an opportunity to ask questions or give other input. Nothing definitive would be done at this point.

Assistant City Attorney Dunckel noted the reference to “other services” as part of the scope of services in the franchise agreement. He requested clarification as to whether this specified other electrical services, or if it referred to FPL providing services other than electricity.

Mr. Wright stated that he had seen that provision included in franchise agreements tendered to other cities by FPL, and it reads “for the purpose of providing electricity and other services.” He cited the Melbourne, FL case, in which there was some question as to the intent of the clause. For instance, Mr. Wright explained, it might mean FPL provided telecommunications or broadband services without paying an additional franchise fee. When this was called to FPL’s attention, they asserted that the phrase applied to electrical services only; the City of Melbourne had requested this clarification.

Ms. Murru asked if it was appropriate to ask Mr. Wright to share some of the experiences of clients who had renewed or opted not to renew their franchise agreements. Mr. Wright affirmed that as these clients were municipalities and the information was a matter of public record, he could do so. Ms. Murru asked if he would share some experiences he felt were pertinent to Fort Lauderdale.

Mr. Wright referred again to the Melbourne, FL franchise negotiations, which he felt were pertinent because Melbourne included a right-to-purchase provision in its franchise agreement; they had also discussed many of the same issues, during this negotiation, that he had just described for the Committee. He recalled that FPL had ceded a few minor points, such as modification of the scope of services covered and a most favored nation clause in favor of the City, neither of which had been part of their original proposal. He clarified that Melbourne did not take over services, and effectively accepted the franchise agreement as proposed by FPL.

He continued that he had also worked with the City Attorney of the town of Gulf Stream, whose negotiations were similar to Melbourne’s. Gulf Stream had elected to renew its franchise.

Other cities with whom he is currently working, Mr. Wright explained, are two to four years away from the expiration of their present franchise agreement. FPL has approached these cities to tender a new 30-year franchise.

Vice Chair Stresau also referred to the use of the phrase “other services,” which he felt provided an unusual amount of latitude in, for example, a 30-year contract. Mr. Wright agreed that this was a legitimate issue, and pointed out again that the Melbourne negotiations had eventually resulted in more specific terminology, such as “electricity and other electrical-related services.”

Mr. Chiari joined the meeting at this time (6:56 p.m.).

He stated that the predecessor ordinance to C79-70, which is the current franchise agreement ordinance, was C-626.

Chair Brenneman asked if Mr. Wright had worked with other municipalities in Florida. He responded that in addition to Fort Lauderdale, Melbourne, and Gulf Stream, he was also presently working with Riviera Beach and West Palm Beach; his firm has worked with Winter Park and Casselberry.

Mr. Cole asked if any of these cases had involved the city assuming control of the utilities, or if FPL always kept their franchise agreement. Mr. Wright replied that his firm is involved in franchise renegotiations between Winter Park and Progress Energy, Florida (formerly Florida Power Corporation). Winter Park eventually took over its own system.

He added that Power Services has an existing relationship with South Daytona, who appears to be poised to take over FPL's system in that city. Similarly, Casselberry was on the threshold of taking this step with Progress Energy; however, there were intervening elections that changed the makeup of their City Council, and they did not take over their utilities.

Dr. Goetz asked what the effect would be, on negotiations, of knowing or not knowing performance data and cost. Mr. Wright felt that this knowledge was very important as a matter of context to performance reliability, and expected future cost, as determined by current cost, should affect the City's decision. He offered the city of Winter Park as an example, as the reliability issue had been key to their ultimate decision. That city had not been able to obtain satisfactory reliability standards as part of their agreement with FPL.

Dr. Goetz followed up by asking if knowledge of these factors might potentially "change the whole tenor" of the negotiations. Mr. Wright affirmed that this is also true, as these are facts that should inform the City's ultimate decision.

Dr. Goetz asked if Mr. Wright, as a consultant, would recommend obtaining this information in advance of any discussions about the franchise agreement. Mr. Wright agreed that he would make this recommendation. He added that it had at times been difficult to gain geographically defined reliability information from FPL as it affects municipalities.

Mr. Chancey asked if there was a noticeable difference in the franchise agreement in cities where services were primarily underground as compared to cities with overhead lines. Mr. Wright answered that there is no difference in the franchise fee rate, which is 6% of industrial, residential, and commercial revenues less all taxes, licenses, and permits. A new agreement, whether it refers to overhead or underground lines, states 5.9% of residential, commercial, and industrial revenues less taxes and like fees, except for ad valorem property taxes. The customers' retail rates are dictated system-wide and are based on the customer's class of service and usage.

Ms. Murru asked if valuation of the “full equipment package” was taken into consideration with regard to franchise agreements. Mr. Wright advised that Mr. Booth would be better able to respond to her question.

Ms. Murru followed up by asking if, due to the age of the existing franchise agreement, consideration had been given to “throwing out” the current document and crafting an entirely new one. Mr. Wright responded that his scope of work had been to look at the current franchise agreement and identify issues. In addition, from a practical perspective, he did not feel he could perform the job asked of him without looking at the agreement already in place as a frame of reference.

He asked if FPL had formally offered the City a new franchise agreement at this time, advising that the starting point for any such negotiations would not be the current agreement but the new agreement as set forth by FPL.

Mr. Chancey asked if there is a particular time before the expiration of an old agreement at which most new agreements are offered. Mr. Wright explained that this is highly variable; in the past, 12 to 18 months before expiration would often be the time in which FPL and a municipality discussed renewal. However, more recently, FPL has offered some municipalities new agreements up to five years in advance of their agreements’ expiration.

Mr. Partington noted that FPL has written to the City to propose negotiations on a new franchise agreement, although they have not yet offered such an agreement.

Mr. Chiari asked if FPL’s “general standard contract” could be viewed in advance of an offer, for purposes of comparison. Mr. Wright agreed to provide a copy of West Palm Beach’s contract.

Mr. Chiari asked for clarification of the “value of lines,” or specifically, what FPL was using to establish either their participation in an undergrounding effort or with regard to the potential municipalization of Fort Lauderdale’s electrical system. He particularly hoped to see Gainesville’s example, as they were taking new direction toward green technology; he added that he hoped FPL might want to partner with the City to create a similar program.

Mr. Wright explained that these issues could be raised within the franchise negotiations, as had been done during the Melbourne negotiation phase. With regard to value of lines, he suggested that City Engineers might be better equipped to respond to the question.

The franchise agreement, he continued, discusses the City’s right to purchase at replacement value of the existing facilities, “less accumulated depreciation plus

severance and reintegration.” The replacement value of existing facilities will always be higher than the value of the facilities already there, he advised. The differential of this price would depend upon age. He recommended that the City have an accurate count of the facilities involved, and a sample from which age could be estimated, in order to arrive at a replacement value.

Mr. Chiari continued that this is a question of reliability of service, and would be very valuable as the City decides whether to adopt an “extreme option” or to continue with a modified agreement. He felt that in addition to age of facilities, the question of whether there has been appropriate equipment maintenance is also an important one. He hoped to hear more about this as negotiations moved forward.

Mr. Wright felt this would certainly be part of the future phases of the RFP.

Ms. Vickery joined the meeting at this time (7:16 p.m.).

## **B. Overview of Meeting with FPL**

Mr. Booth addressed two of the questions raised during Mr. Wright’s presentation, noting that he had served as an expert witness for both Casselberry and Winter Park in their process evaluation arbitrations. He recalled that Winter Park had ultimately taken over control of the existing electricity system in their City, and Casselberry had elected not to proceed with this, although their arbitration process had been successful.

He stated that reliability was the predominant issue in each case, as well as a “political dislike” for an out-of-state company that had taken over an existing Florida utility. He described the process as “multi-pronged,” advising that before embarking on a similar course, the City should first examine the franchise agreement and the possibility of undergrounding before making any decisions on moving forward with an agreement.

Regarding valuation, Mr. Booth explained that Power Services had conducted a preliminary study on this issue, although the absolute value cannot be known until an accurate count of all equipment, including transformers, wires, and poles, can be taken, and the age of these facilities is determined. He added that in either arbitration or litigation, there is also bound to be disagreement over some of the values, although the numbers are not often “too dissimilar.” He continued that while Power Services’ portion of the assessment often concerns undergrounding, they must also have a grasp of the overhead cost.

He also addressed the question regarding underground or non-underground system rates, stating that some of the utilities he had represented are predominantly underground. Actual electric rates had not been significantly

different for cities with underground facilities, he informed the Committee, from comparable overhead systems. He cautioned, however, that undergrounding had been done, in most of these cities, over several years' time, and in response to a need for changes in the previously existing overhead system.

Mr. Chancey referred to a comment made at one time by FPL that they had spent approximately \$80 million putting up new poles after a hurricane. Mr. Wright believed the actual pole dollar amount had been \$22 million.

Mr. Chiari requested clarification that this meant the system-wide cost of replacing poles in FPL's statewide network. Mr. Wright confirmed that it referred to FPL's cost for pole replacement efforts following Hurricanes Katrina and Wilma in 2005; the cost for Fort Lauderdale would be "a fraction" of this amount.

Mr. Wright continued that the total amount spent restoring surface equipment after the 2004 and 2005 hurricane season was approximately \$900 million. The majority of this in 2005 included "a modest amount" of transmission work, but the bulk of the undertaking had been in distribution. Most of the work, he recalled, had been organizational: removing branches from equipment, removing cable or other wires from the system, and putting the poles back up.

Ms. Vickery noted that repayment is in process of surcharge fees on some FPL bills, and asked if the amount recouped by this repayment has been determined during the assessment. Mr. Wright asserted that it has not, explaining that the existing franchise agreement states should the City agree to purchase the utility services, they would pay the replacement costs for the facilities currently in place, less accumulated depreciation, as well as the severance and reintegration costs. Monies already spent toward storm restoration are not a factor, he concluded, adding that other cities who have not suffered significant storms since 2004 and 2005 paid the same storm restoration surcharge as Fort Lauderdale.

Chair Brenneman stated that she had read both the RFP and Power Services' bid, and was interested in hearing more detail about an issue that had occurred in Franklin, TN regarding that city's localization options.

Mr. Booth explained that Power Services has assisted several clients in the municipalization process, describing it as a multi-stage process in which most cities first evaluate the RCNLD (Replacement Cost New Less Depreciation value). They usually try to get a 20,000 ft. value, he said. Most cities investigating this option were primarily concerned with reliability, undergrounding, bringing in more power options, and overall control of their own destiny. He affirmed that the biggest hurdle in the process is a reasonable and accurate valuation of the system, as well as how much money it would take to separate and reintegrate roughly 20 substations in Fort Lauderdale. He cautioned that it is not possible to rely only on the substations in the City proper, as many of the lines that go from

one station to another are part of an integrated network system based on reliability.

He did not feel that Power Services would come up with a "high-grade estimate" of the system's value in the current phase of the RFP, although a reasonable number would need to be arrived at with relation to the overhead system. This number would factor into the overall cost of undergrounding various areas.

Mr. Chiari asked what current franchise fee Fort Lauderdale receives, as well as the state of the existing contract, particularly whether the City had gotten "its fair share." He felt this might give the City some insight on the potential future franchise agreement.

Mr. Wright responded that he did not know the current dollar amount of the fee, but the rate is 6% of residential, commercial, and industrial retail service revenues, less all taxes, licenses, permits, and fees, including ad valorem taxes. He noted that this typically results in an equivalent franchise fee rate of 5.7-5.85%, although it varies from city to city. He reminded the Committee that revenues from street lighting and other governmental authorities are also excluded. Facilities such as City Hall might or might not be included in this last category, depending upon its rate schedule; it could also be considered commercial revenue.

In terms of the City's success with the current franchise agreement, signed 30 years ago, Mr. Wright recalled reviewing a summary report of franchise agreements, most of which fell into this same percentage.

Ms. Vickery raised the issue of current Federal policies that support renewable energy initiatives, asking if a renegotiated agreement with FPL should take these new policies into consideration and how they benefit both power companies and the cities encouraging such initiatives.

Mr. Wright stated that this had not yet been a factor, as the policies to which Ms. Vickery referred are very new, although Melbourne had unsuccessfully tried to include more energy conservation and efficiency enhancements in their negotiations.

"Green power" issues, he explained, are unlikely to arise in local franchise negotiations, as there is a State renewable portfolio standard rule has been proposed by the Florida Public Service Commission, which cannot take effect unless ratified or enacted in alternate form by the Florida Legislature. Mr. Wright described this as "vital" legislation for the upcoming session, but its outcome could not be predicted.

In addition, he noted that the Obama Administration has called for a 10% RPS by 2015, expanding later to 20%. Some 26 states, as well as the District of Columbia, have already adopted their own renewable portfolio standards, Mr. Wright noted. How this occurs is presently a matter of State law, although he felt it was possible that this will be “overtaken” by Federal legislation. At that point there could also be a “states’ rights” effort to achieve a more stringent standard, as with California’s attempt to regulate its own emissions standards.

Mr. Booth moved on to discuss Power Services’ meeting with FPL, which he described as “productive and successful.” Their data request had been prepared and sent to FPL through the City, and an agreement had been reached on how to access this information; he noted that every utility has different ways of storing the data necessary for an accurate analysis. No corresponding conclusion had been reached with regard to how much information Power Services would be allowed to see.

Mr. Booth added that while Power Services might have wished to have access to this information in advance of its field work in Fort Lauderdale, it was a “multi-pronged process.” In the field, he explained, they attempt to understand the current system by characterizing any areas that might be less reliable, in need of more immediate maintenance, or good candidates for undergrounding.

There is also a variety of types of facilities to study, he pointed out, and praised FPL’s cooperation in assisting Power Services with maps to the kinds of wires, lines, and locations, as well as the total number of miles of line. This was also to be used to assess the potential undergrounding portion of the agreement; he felt it would be best characterized by area and type of construction.

An important question for Fort Lauderdale to consider, Mr. Booth advised, is whether undergrounding is an issue of reliability or aesthetics, from a priority standpoint. In addition, undergrounding would need to include feeder lines from substations, some of which are outside the City limits; the City would need to decide whether to underground these facilities. He felt part of Power Services’ task was to give the City its assessment of what these priorities should be, particularly as relates to reliability.

Mr. Chancey asked if there had been any communication with the cities surrounding Fort Lauderdale regarding whether their franchise agreements were being considered for renewal at the same time as the City’s. He asked if anyone had discussed their potential interest in sharing the outlying facilities.

Mr. Booth answered that this had not been done with specific relation to the franchise agreement and undergrounding in conjunction. He referred to the Municipal Utility Underground Consortium (MUUC), which has “extensive activities” with the underground issue in Florida and contains several active

communities as members. Mr. Booth informed the Committee that the MUUC had requested assistance in determining where contributions and aid of construction should go, relative to undergrounding and storm hardening.

This meant there are several other communities interested in the value of undergrounding, as well as reducing its economic impact if they go forward with such a project. Mr. Booth affirmed that, particularly in the short run, economic impact would be a major consideration.

Mr. Chancey asked if anyone at the City level was aware of when bordering cities' franchise agreements might end, or if they are interested in a cooperative effort. Mr. Partington stated that Coral Springs had just entered into a new franchise agreement, but there was no more such information available.

Mr. Chancey suggested that the City might contact some of these nearby cities, particularly those that shared the substations. Mr. Partington agreed this could be done.

Mr. Booth continued that Power Services has not had sufficient time to review the information gathered from the field assessment. Mr. Rant took over the presentation to discuss this issue.

### **C. Overview of Field Assessment to Date**

Mr. Rant explained that the goal of the field work refers back to the scope of work, which involves studying the system currently in place, and its strategies and costs. They had attempted to focus on the following issues:

- What is currently overhead or underground, and where these facilities are located;
- The general condition of these facilities;
- Connectivity of all these considerations.

He noted that this was a large task for a city of Fort Lauderdale's size, so the approach was to look at representative areas, and try to break the City down into classifiable areas so a sampling method can be applied. The data collected would then be extrapolated into a "reasonable estimate."

To date, the team has looked at nine or ten different areas and taking inventory of what they saw. The next step is to take this data and try to estimate cost and method. Mr. Rant noted that if there are certain specific areas the City is seeking to underground, it helps the field team target its work.

Mr. Chiari asked if the material provided cooperatively by FPL, including maps, were being used for this audit. Mr. Rant responded that the team had requested a great deal of information, including these maps, through the City, and had only

met the same afternoon to determine what information would be made available to the field team. He did not know if this information would be in the form of hard copies or files, although he reiterated Mr. Booth's expectation that the team would be allowed to view the material.

Mr. Booth interjected that FPL seems to consider their maps "proprietary," and had concerns about how their information could be shared. He expected neither files nor hard copies as a result of the cooperative effort.

Mr. Partington believed, however, that a "fair amount" of the requested material was not proprietary, and a matter of public record. He affirmed that these materials would be forthcoming.

Mr. Chiari asked if, should Power Services experience difficulty gaining access to this information, the City or the company applies any necessary pressure. Mr. Booth asserted that any such pressure would come from Mr. Partington's office. He reiterated that FPL had always been cooperative, although their responses had not always been timely.

Mr. Rant commented that the actual request for information must come from the City.

Chair Brenneman recalled a reference to the City's GIS system, possibly in the scope of work. Mr. Partington did not recall this inclusion in the scope, but replied that another list of City data was in GIS form.

Mr. Shank offered that the City had also been very cooperative, and had provided a DVD of their entire GIS system, as well as other information. Mr. Rant pointed out that this was very useful, as knowledge of where facilities are located affects what is undergrounded: for example, a "crowded" right-of-way, containing water, power, and sewer lines, should be taken into account when estimating the overall cost of undergrounding.

Mr. Chiari asked Mr. Partington for a description of the GIS system status for the City, including poles. Mr. Partington said there was no data related to FPL's or AT&T's poles or their shared poles. It was clarified that most of the poles in Fort Lauderdale are owned by AT&T.

#### **D. Input from UAC re: Direction Taken and Questions**

Chair Brenneman referred Mr. Booth to a list of 13 neighborhoods in the City that have expressed interest, over a period of years, in undergrounding. Mr. Booth responded that he is familiar with this list, and FPL has conducted "ballpark assessments" of its own for some of the neighborhoods.

Mr. Cole requested clarification that the cost of undergrounding, as being estimated, is done with the assumption that FPL would still provide electrical services. This was affirmed, and Mr. Booth noted that any further estimates without FPL would be included on the next phase of the RFP. He added that a “comparable effort” would be to look at the system’s RCNLD value, as well as the separation and reintegration costs. Mr. Cole noted that he was only considering actual physical connection costs, not the attendant fees.

Mr. Booth noted that Winter Park had managed to avoid much of these costs through engineering.

It was noted that cities such as South Daytona, Winter Park, and Casselberry tended to be “more rural” than Fort Lauderdale. Mr. Booth remarked as well that these cities were also much smaller.

He pointed out that no matter what the size or makeup of the city, there were three basic considerations when studying possible municipalization: acquiring the system, acquiring the wholesale power supply to sell it as retail, and entering the utility operations and maintenance business. A city such as Winter Park, with a population of approximately 10,000, had the option of hiring a part-time utility director or line crew, but Fort Lauderdale would present a much more significant undertaking.

Mr. Chiari pointed out that Pike Electricity, a crew based in North Carolina, had been in Broward County for the last few years. He felt they would be likely to negotiate with the City for these maintenance services.

Mr. Booth agreed that this would be possible, citing a utility client who contracted out all necessary services. He noted that Pike Electricity contracts for major provider Duke Energy, for example.

Ms. Murru asked if any of Power Services’ past or present clients who have municipalized were similar in size to Fort Lauderdale. Mr. Booth replied that he had several municipal or cooperative clients the City’s size, but most of them had had such a program for several years. The most recent client with whom he felt it would be fair to compare the city was a co-op who purchased an entire investor-owned utility from VPL. This had taken place in 2008 and their integration system was ongoing, he advised. The rates of the former provider’s customers had been reduced by 5% from the first day.

Mr. Cole asked if cost to the individual customers, including connections from the street to a home, had been part of Power Services’ analysis. Mr. Booth stated that they will address the options, including design problems, that could arise. These included the necessity of carrying secondary utilities to transformers at the

opposite end of a lot, due to right-of-way issues, meter change-out to upgrade to the new National Electrical Code, and others.

Mr. Cole explained that he knew individuals interested in undergrounding their neighborhoods; however, when they learned they could face thousands of dollars in expenses for this upgrade, they were less willing to take the step.

He felt the primary reason for interest in undergrounding was reliability, while a secondary reason was a concern for trees. Mr. Booth advised that underground projects in the downtown area often came in over budget, as complicating factors were often discovered once digging began.

Mr. Cole asked if a prospective time frame was available for how long it might take to complete an undergrounding project. Mr. Booth replied that Power Services could give a “range of normal process” as an estimate; however, tolerance of cost is a concern here, as the quicker a project is to be completed, the more workers and management are necessary. He offered that he did not feel completion of undergrounding was possible in, for example, three years.

Mr. Chiari agreed that the idea of undergrounding is “cost-prohibitive,” but asked if the possibility of the City issuing bonds or other alternative financing might make a difference – for example, purchasing the existing system over time or taking a larger role in hardening or maintenance.

He referred again to the reliability issue, recalling that during long power outages it was consistently asked why so many things were wrong. He felt Fort Lauderdale had an opportunity to lead, from a consumer protection standpoint, and commit to servicing a network reliably and keeping rates low. He felt the impact of success for the City would reach beyond Broward County and serve as an example.

Mr. Booth agreed, particularly with regard to hardening. He noted that Power Services has requested a schedule from FPL on its hardening plans.

Mr. Chiari asked if the City might be able to take a role in amassing the short-term capital infusion necessary to dramatically harden its infrastructure. Mr. Booth emphasized that hardening must be done in a way that satisfies a company’s stockholders, as well as the Public Service Commission to consider, and an investor-owned utility was unlikely to be able to digress to a great degree on either side of this consideration. He informed the Committee that this meant the City would not be able to apply significant pressure to FPL with regard to hardening.

Ms. Murru described this as a “multi-billion dollar question,” as the profits an investor-owned utility would make either went to stockholders as profit or back

into the infrastructure as improvements. Mr. Booth agreed, but pointed out that Florida is a regulated State, which means FPL will receive a “reasonable return” on its investments. In some deregulated states, 80-200% rate increases had occurred.

He asserted that a privately owned business would never make the same investments as an investor-owned utility to make only 11-12% profit, as the utility is guaranteed its profit while a business would not be.

Mr. Chiari felt the only real choice facing the City was municipalization or a franchise agreement with FPL, as ultimately FPL owned the infrastructure. Another provider who attempted to plug into FPL’s system, as is being done in the Keys, would be charged a toll. Mr. Booth and Attorney Dunckel both agreed with this assessment.

Mr. Chiari continued that the Committee should consider, when studying documents such as Mr. Underwood’s report, that some of the costs included municipalizing the system as well as undergrounding. If the cost of undergrounding were excluded, he felt the cost might be more “approachable.”

Chair Brenneman reminded the Committee that only Phase 1 has been authorized thus far.

Mr. Chancey asked if anyone could offer an update on Winter Park’s progress since its municipalization. He recalled that they had taken their initial profits and invested them in undergrounding, but had heard no further news since that time. Mr. Booth advised that Winter Park is continuing the undergrounding process but did not have information regarding their specific profits.

Mr. Shank stated that his son resides in Winter Park, and they are on schedule with undergrounding.

Mr. Chancey noted that once Winter Park had municipalized, they had put all their extra profits into undergrounding. He felt this is the scenario for which the Committee is seeking advice.

Mr. Partington stated that there had been a “complete draft contract” for the study of municipalization itself; the City Commission, however, had not agreed to it, and instructed the Committee to redraft the scope. Currently the City Commission has directed neither Staff nor consultants to directly look into municipalization.

Dr. Goetz did not feel it was possible to have a cogent discussion of the franchise agreement without first seeing data on reliability, performance, and other considerations. Mr. Partington advised him to include any questions to himself or

to Mr. Booth in an email, although he could not guarantee that all such questions could be answered before additional study was done. Mr. Cole suggested that Dr. Goetz provide FPL with a copy of his questions as well.

Mr. Partington stated that he felt the Selection Committee had done “an excellent job,” and that the Committee could feel it was in good hands with the work Power Services has done.

Ms. Murru, on behalf of the Committee, thanked Vice Chair Stresau for his work with the Selection Committee. Chair Brenneman added that Mr. Partington had served as Chair of the Selection Committee.

Mr. Partington stated that the consultants would now continue their work, and would provide his office with a draft final report, which he would share simultaneously with the Committee and the City Commission. The decision on when the report may be distributed to the City Commissioners is made by the City Manager’s Office. This meant his ability to share information from the report would be limited until the City Manager had made this decision, although Mr. Partington promised to keep the UAC “in the loop” as best he could.

Ms. Vickery asked if there was an estimate of when Power Services’ representatives would present to the Committee again. Mr. Partington did not feel a timeline was appropriate at this time, as thorough data collection was the higher priority.

Mr. Booth felt Mr. Wright could deliver a draft for the franchise agreement within a few weeks; FPL’s data sharing would play a role in any timeline as well, as he estimated this process could take up to 30 days. Once this was complete, he felt it would be at least two months before a report could be prepared. He felt 90 days would be an “optimistic” assessment of the time frame.

Mr. Partington reiterated that it was possible the Committee might see a draft of the franchise agreement sooner than the full report, but it was, again, dependent upon the schedule set forth by the City Manager.

Mr. Chiari referred to the present franchise agreement, which cites FPL’s right to “maintain and build” within the City. He asked what part of the current infrastructure was already in place at the inception of that contract, and might any of it have predated FPL’s franchise agreement.

Mr. Wright explained that the City does not own any of the current infrastructure; in addition, there has been a good deal of replacement of facilities following the storms of the last 30 years. In modern memory, he said, Fort Lauderdale has not owned any of the electrical distribution facilities.

For purposes of clarification, Mr. Partington stated that Power Services will provide the Committee and the City Commission with a report making recommendations as to what the City should be looking for as part of negotiation of a new franchise agreement. The City Commission and City Manager will then, through the negotiation process, determine whether entering into a new franchise agreement is recommended. Should they feel any part of the negotiation process is lacking, subsequent phases of this study may be proposed – for instance, should the City Commission become interested in municipalization.

Mr. Wright added that his report will address, conceptually, the procedural options of renewal, extension, or formation of a new agreement. Issues relative to improving and enhancing the existing franchise will be covered as well.

Mr. Partington and the Committee thanked the representatives of Power Services for their presentation.

#### **V. Good of the Committee**

Chair Brenneman restated, for the benefit of those Committee members who had missed her earlier announcement, that the 8<sup>th</sup> Floor of City Hall will be closed for renovations from March 23-28. The Committee's scheduled meeting will be held at another location, which has yet to be determined.

Mr. Partington reminded the Committee of the upcoming Green Expo, and asked if the budget for this event has been finalized. Chair Brenneman advised that it has not, and the Public Information Office has been unavailable to meet on this issue before March 12. Chair Brenneman planned to discuss the issue with Mr. Partington following tonight's meeting, and suggested they approve the same figures used in 2008.

It was noted that the Green Expo will be held on April 25, 2009, at Stranahan Park. All the green initiatives on which the City has been working will be rolled out at this forum.

Setup for the event will begin at 6:30 a.m., and the event runs from 8:00 a.m.-3:00 p.m.

April 24, 2009 will be the date of an Arbor Day celebration, Chair Brenneman continued, and if the City becomes an Arbor Day City again, this distinction will be awarded at that time.

Mr. Chancey's Softscapes crew, Urban Forester Gene Dempsey, and the Tree Subcommittee are all part of this event, she noted, and Vice Chair Stresau will convene a meeting of that Subcommittee to finalize details, including the budget.

Mr. Chancey asked if selection has begun for any of the organizations who will have booths at the Green Expo. Chair Brenneman stated that this will be determined by those groups who have an interest in appearing. The Community Greenhouse Foundation will market the event on behalf of the Committee.

The City has ordered Prius vehicles that will be rolled out in April, Chair Brenneman continued, and on the night of the Arbor Day Celebration, there will be live television coverage of the rollout.

Mr. Chancey added that an Arbor Day program will be held at Fort Lauderdale High School on Friday, February 27, 2009.

He added that Softscapes will be shooting "garden spots," and will invite the 4H Club to attend. These will be featured on a Lifetime Network program.

Chair Brenneman advised that the City has already pursued several green initiatives, many of which were suggestions by employees; up to 11 City Departments will present these initiatives at the Expo. She added that FPL will provide all the materials.

## **VI. Adjournment**

There being no further business to come before the Committee at this time, the meeting was adjourned at 8:46 p.m.

[Minutes prepared by K. McGuire, Prototype, Inc.]