CITY OF WINTER PARK
OUR MUNICIPALIZATION STORY
Presentation to South Daytona

Produced in 2011
Randy Knight, City Manager
OVERVIEW

- **1971**: Early renewal of franchise for 30 years
- **2001**: Franchise expired
  Commission authorizes study
- **2001-02**: Legal Battles & Feasibility Study
- **2002-03**: Arbitration
OVERVIEW

- 2003: Bond referendum
- 2004: Began transition efforts & signed Bulk Power Contract
- 2005: Hired ENCO to maintain system
- June 1, 2005: “Flipped the Switch”
  Began serving customers
OVERVIEW

- Population – 28,000
- Electric Customers – 14,000
- 9 Square miles
- 100 megawatt peak demand
- 80% Residential – 20% Commercial
- Revenue 50% Residential – 50% Commercial
- No generation – distribution only
WHY WAS PROGRESS ENERGY NOT GIVEN ANOTHER FRANCHISE?

- Progress Energy put a take-it-or-leave-it franchise proposal on table
- 30-year term with no out-clause for poor-performance
- Took away city’s right to repurchase without compensation
WHY WAS PROGRESS ENERGY NOT GIVEN ANOTHER FRANCHISE?

- No performance guarantees
- No commitment to underground unless someone else paid
- Commissioners wanted to control the city’s destiny
WHAT DID THE CITY SEE AS THE BENEFIT OF MUNICIPALIZATION?
PUBLIC POWER

- Local control and accountability
- Stockholder vs. Stakeholder
- Reinvest profits locally
- Customer first mission
- Improved reliability/response time
UNDERGROUND UNSIGHTLY
POWER LINES
UNDERGROUND UNSIGHTLY POWER LINES
EMPLOYEES DEDICATED EXCLUSIVELY TO THE CITY OF WP
SEVERAL OBSTACLES

- Had not been done in Florida since 1940s
- Progress Energy legal challenges
- Very expensive undertaking
- Progress Energy’s community involvement
- Threatened to quit paying franchise fee
- City Commission was split on the issue
PROGRESS ENERGY’S ASSERTIONS

- It will be a long, expensive process
- City is too small
- City doesn’t know how to run an electric utility
- Won’t be able to handle storms
- Government shouldn’t do what private enterprise can do
PROGRESS ENERGY’S ASSERTIONS

- Rates will go up
- Will have to buy power at marginal cost
- It is risky – fuel cost is volatile
- Our feasibility study is wrong
FEASIBILITY STUDIES

- Black and Veatch – purchase price would be $15.8 million excluding Going Concern and Stranded Costs
  - Going Concern between $0 and $12.7 million
  - Stranded Costs between $0 and $21.8 million
Progress Energy’s “Independent” feasibility study – Purchase price would be $106 million plus stranded costs
ARBITRATION

- Held December 2002 thru February 2003
- Arbitration Award May 2003
- Set price at $42.3 million
<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$8,218,447</td>
</tr>
<tr>
<td>Land and Easements</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Books &amp; Maps</td>
<td>350,000</td>
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<tr>
<td>Going Concern</td>
<td>12,000,000</td>
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<tr>
<td>Sep. and Reintegration</td>
<td>1,004,000</td>
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<tr>
<td>Stranded Costs</td>
<td>10,737,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$42,309,447</strong></td>
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</table>
THE CAMPAIGN

- Referendum scheduled for September 9, 2003
- Progress Energy formed a Political Action Committee (PAC) against purchase entitled:

  Winter Park Taxpayers Against Government Owned Electric
THE CAMPAIGN - AGAINST

- This PAC spent $523,750 on its campaign to defeat the referendum
- $523,000 from Progress Energy - $750 from Winter Park taxpayers
- Prime-time TV ads against the purchase
- Direct mail pieces
- Bussed in people from St. Pete to walk our streets
THE CAMPAIGN - AGAINST

Don’t Risk Winter Park’s Future
THE CAMPAIGN - AGAINST

Vote **NO** on September 9 **AGAINST** higher debt/higher rates
Citizens in 27 of the 32 city-owned electric systems in Florida pay higher rates than we do!

- Alachua
- Bartow
- Chattahoochee
- Fort Meade
- Fort Pierce
- Gainesville
- Homestead
- Key West
- Lakeland
- Kissimmee
- Lake Worth
- Mount Dora
- New Smyrna Beach
- Ocala
- St. Cloud
- Starke
- Tallahassee
- Vero Beach
- Wauchula
- Williston
- Clewiston
- Green Cove Springs
- Havana
- Jacksonville Beach
- Quincy
- Leesburg
- Newberry
THE CAMPAIGN - AGAINST

Don’t throw our money away!
THE CAMPAIGN - AGAINST

VOTE NO TO GOVERNMENT OWNED ELECTRIC

- VOTE NO TO MORE DEBT.
- VOTE NO TO HIGHER RATES.
THE CAMPAIGN – IN SUPPORT

▪ PAC formed to support purchase entitled:
  Winter Park Power Options

▪ This PAC raised $50,000
▪ City also spent approximately $50,000
THE CAMPAIGN – IN SUPPORT

- Primarily direct mail pieces
Who should dictate the terms of the electric franchise agreement?

Progress Energy is a $9 billion corporate giant that has tried to bully Winter Park into granting a 30-year monopoly contract that offers no guarantees for better reliability and local accountability.

Your “FOR” vote will give Winter Park the ability to “walk away” from Progress Energy at the negotiating table and seek competitive bids. That alone will require Progress Energy to improve the offer it has on the table if it wants to continue providing service to Winter Park.
THE CAMPAIGN – IN SUPPORT

On September 9th, Winter Park residents will be asked to vote whether or not to finance the purchase of the electric distribution system.

Are you unsure about how to vote on Sept. 9th?<br><strong>Consider the facts, not scare tactics.</strong>

Winter Park citizens send over $30,000,000 a year to Progress Energy in Raleigh, North Carolina. That will add up to nearly $1 billion over the next 30 years. That’s why Progress Energy is willing to say and do anything to protect its monopoly hold on Winter Park — disparaging our City and elected officials at every turn.

Progress Energy is nothing more than a monopoly vendor whose contract doesn’t deserve to be renewed. With all that money at stake, Progress Energy is now trying to intimidate the City into signing a 30-year contract that will penalize residents and ratepayers. To get the best utility deal possible for Winter Park residents, the City’s only option is to buy back its poles and wires. It’s that simple.
THE CAMPAIGN – IN SUPPORT

Tired of resetting your clocks?

Vote “FOR” on Sept. 9th for a better power option

Winter Park Power Options
THE CAMPAIGN – IN SUPPORT

- Held several public forums
- Voters spoke:

  69% in Favor of Purchase
WHAT MADE WP SUCCEED WHEN OTHERS BACKED DOWN?

- Strong City Commission
- Good attorneys and consultants
- Help from FMEA, APPA & other municipalities
- Educated/involved community
- PEF’s tactics backfired
BULK POWER SUPPLY

City has no generation

- City issued RFP
- Received 3 bids
  - Orlando Utilities Commission (OUC)
  - Seminole Electric Coop
  - Progress Energy
- Progress Energy had best bid – City executed contract
BULK POWER SUPPLY
(January 2011- December 2014)

- City issued ITN (intent to Negotiate)
- Received 4 responses: FPL, Orlando Utilities Commission, Seminole Electric Co-op, Progress Energy
- Negotiated Innovative Contract with PEF & SEC
  - PEF – 40 MW of combined cycle capacity
  - SEC – Dispatch agent plus additional requirements at incremental fuel cost
- Estimated Annual Savings=$6.6 million (17.5%)
City chose to contract this out instead of hiring its own staff

- Put out a national bid
- ENCO Utility Services won the bid
- Executed a 12-year contract
- ENCO handles all maintenance and CIP under direction of our Utility Director
MISTAKES MADE

- Should have bonded more startup
- Separation & reintegation design
- Should have challenged stranded cost
- Auction Rate Bonds
- Needed more focus on early finances
- Fuel adjustments annually vs. quarterly
SUCCESES

- 12 mainline feeder under ground projects completed (approximately 14 miles)
- 9 Neighborhood PLUG-IN projects completed, 1 PLUG-IN project underway
- Coordinated storm response across all City departments
- Winter Park consistently beats PEF in service restoration
SUCCESSES

- Rates remain competitive
- Financials are now stable
- Bond Rating upgraded from A to AA-
- Trees trimmed more frequently, but less intrusively
- Improved reliability
FINANCIALS

- Turned 1st profit in FY 2007
- FY 2008 bad year because of fuel and bond interest – lost $5.3 million
- Changed fuel strategy and refinanced bonds in FY 2009
- FY 2009 profit $2.4 million
- FY 2010 profit $4.9 million
- FY 2011 YTD profit through 2/11 $3.0 million
FINANCIALS

- Cumulative Gross Revenue since acquisition $296.7 million
- Cumulative Net Profit since acquisition $3.5 million
- Transfers to General Fund since acquisition $16.1 million
- Invested approximately $40.2 million in capital improvements to the system since acquisition
Electric Rate Comparison Winter Park Electric vs. Progress Energy Florida
For 1,000 kWh Per Month Residential Customer

Source: FMEA
Electric Rate Comparison Winter Park Electric vs. Progress Energy Florida
1,000 kWh per Month Residential Customer

<table>
<thead>
<tr>
<th>Utility</th>
<th>Total Electric Bills June 2005- March 2011</th>
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<tbody>
<tr>
<td>Progress Energy Florida</td>
<td>$8,088.51</td>
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<tr>
<td>Winter Park Electric</td>
<td>$8,115.93</td>
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<tr>
<td>Difference</td>
<td>$27.42</td>
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<tr>
<td>% Difference</td>
<td>.34%</td>
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SUMMARY

Has Winter Park been successful? YES

Are we glad we did it? YES

Was it hard? VERY

Has Winter Park had Failures? YES!!!

Key is hiring good people/Consultants early in the process. Be willing to adjust strategies.