



# **CITY OF WINTER PARK OUR MUNICIPALIZATION STORY**

## **Presentation to South Daytona**

**Produced in 2011**

**Randy Knight, City Manager**

# OVERVIEW

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

# OVERVIEW

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- **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

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- **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?**

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- **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?**

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- **No performance guarantees**
- **No commitment to underground unless someone else paid**
- **Commissioners wanted to control the city's destiny**



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**WHAT DID THE  
CITY SEE AS THE  
BENEFIT OF  
MUNICIPALIZATION?**

# **PUBLIC POWER**

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- **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



# FACE-TO-FACE CUSTOMER SERVICE



# EMPLOYEES DEDICATED EXCLUSIVELY TO THE CITY OF WP



# SEVERAL OBSTACLES

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- **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**

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- **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**

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- **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

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- **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**



# FEASIBILITY STUDIES

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- **Progress Energy’s “Independent” feasibility study – Purchase price would be \$106 million plus stranded costs**

# ARBITRATION

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- **Held December 2002 thru February 2003**
- **Arbitration Award May 2003**
- **Set price at \$42.3 million**

# ARBITRATED COST

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<b>Equipment</b>	<b>\$ 8,218,447</b>
<b>Land and Easements</b>	<b>10,000,000</b>
<b>Books &amp; Maps</b>	<b>350,000</b>
<b>Going Concern</b>	<b>12,000,000</b>
<b>Sep. and Reintegration</b>	<b>1,004,000</b>
<b>Stranded Costs</b>	<b><u>10,737,000</u></b>
<b>Total</b>	<b>\$42,309,447</b>

# THE CAMPAIGN

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

**Winter Park Taxpayers Against  
Government Owned Electric**

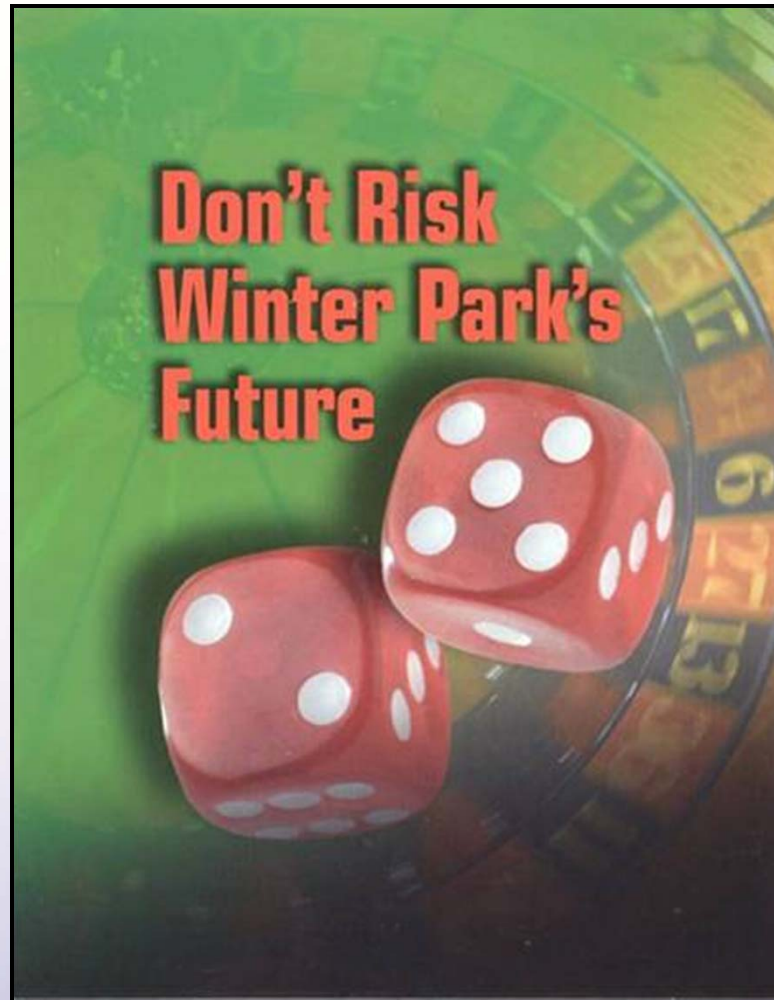
# **THE CAMPAIGN - AGAINST**

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- **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



# 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!

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

# THE CAMPAIGN - AGAINST



**Don't throw our  
money away!**



# THE CAMPAIGN - AGAINST



WINTER PARK TAXPAYERS COMMITTEE  
AGAINST GOVERNMENT OWNED ELECTRIC  
P.O. BOX 3033  
WINTER PARK, FL 32790



\*\*\*\*\*ECRLOT\*\*C 008  
Debrah A Knight  
929 Golfside Dr  
Winter Park FL 32792-5125

**VOTE NO TO GOVERNMENT OWNED ELECTRIC**

**VOTE NO TO MORE DEBT.**

**VOTE NO TO HIGHER RATES.**



# **THE CAMPAIGN – IN SUPPORT**

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- 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

*People you **know and trust** agree...*

				
<p><i>Mayor</i> <b>Kip Marchman</b></p> <p>"I am convinced that voting 'FOR' the referendum will improve the quality of life for Winter Park residents for decades to come."</p>	<p><i>Vice Mayor</i> <b>John Eckbert</b></p> <p>"Based on three years of exhaustive study by the City, voting 'FOR' the referendum is a sound business decision for Winter Park."</p>	<p><i>Commissioner</i> <b>Barbara DeVane</b></p> <p>"Other cities have demonstrated that local control increases accountability and reliability...something Winter Park lacks with Progress Energy."</p>	<p><i>Commissioner</i> <b>Doug Metcalf</b></p> <p>"Passing the referendum will allow the city to capture the millions in profits that Progress Energy currently sends out of state, and will reinvest these funds in a reliable system here in Winter Park."</p>	<p><i>Former Mayor</i> <b>Dan Hunter</b></p> <p>"With Winter Park's solid record of fiscal management, I have full confidence that Winter Park residents will see a return on investment with the purchase of the electric distribution system."</p>

*...that the referendum is a good business decision!*

Winter Park City Hall  
401 Park Avenue South  
Winter Park, FL 32789

PRESORTED  
STANDARD  
U.S. Postage  
PAID  
Permit #191  
Winter Park, FL



# THE CAMPAIGN – IN SUPPORT

## Who should dictate the terms of the electric franchise agreement?

**Progress Energy?**



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.

**Or 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?  
**Consider the facts, not scare tactics.**

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.

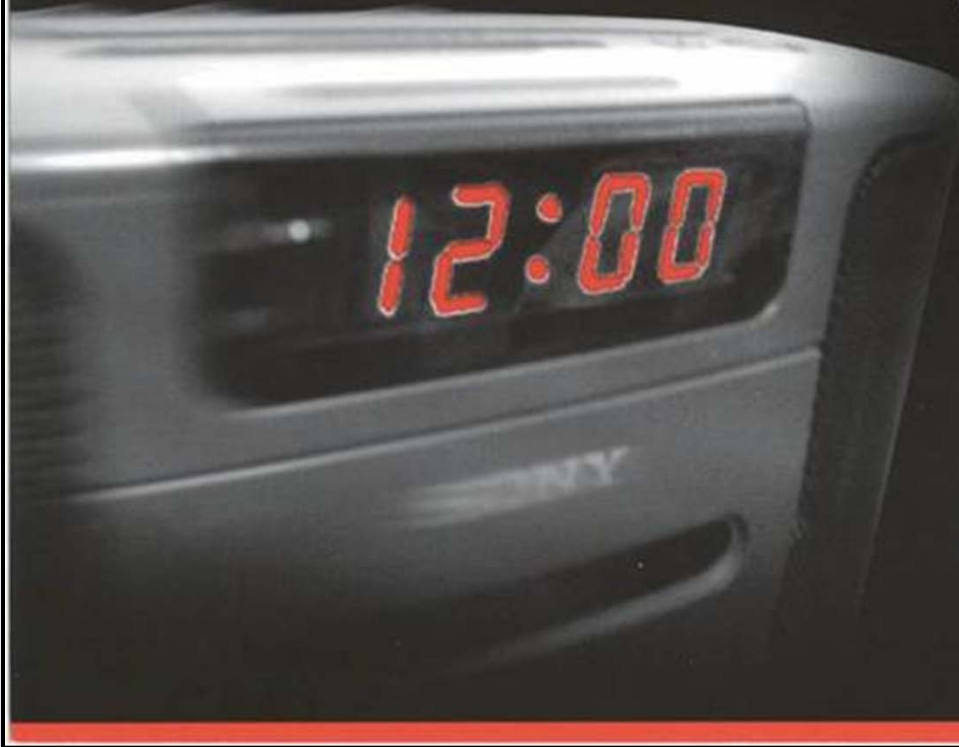
Progress Energy is nothing more than a monopoly vendor whose contract doesn't deserve to be renewed. With all that money at stake, Progress Energy is now trying to intimidate the City into signing a 30-year contract that will penalize residents and ratepayers. To get the best utility deal possible for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

Winter Park  
Power Options 



# 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**

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- **Held several public forums**
- **Voters spoke:**

**69% in Favor of Purchase**

# WHAT MADE WP SUCCEED WHEN OTHERS BACKED DOWN?

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





# **BULK POWER SUPPLY**

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**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%)**

# **DISTRIBUTION SERVICES CONTRACT**

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**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**

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

# FUEL ADJUSTMENT HISTORY





## **SUCSESSES**

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- **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**



# **SUCCESSSES**

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



# FINANCIALS

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- **Turned 1<sup>st</sup> 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**



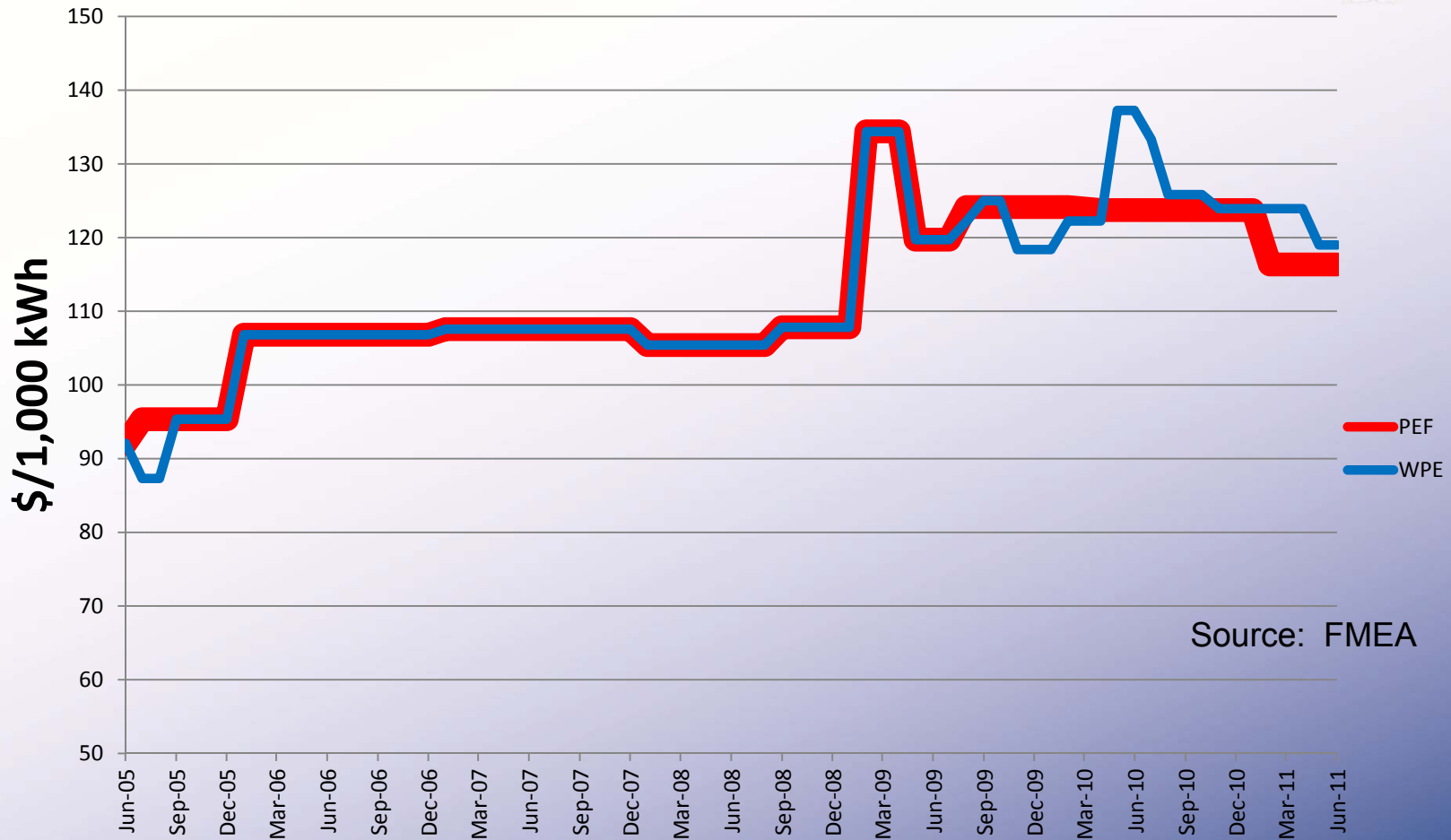


# FINANCIALS

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- **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**



<b>Utility</b>	<b>Total Electric Bills June 2005- March 2011</b>
Progress Energy Florida	\$8,088.51
Winter Park Electric	\$8,115.93
Difference	\$27.42
% Difference	.34%



# **SUMMARY**

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**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.**



