

Ms. Cole

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Mobile = 772-559-9080
fahertydoc@earthlink.net

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090524-EM

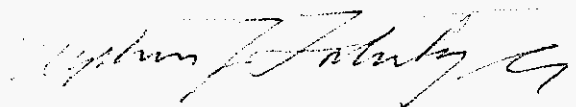
COMMISSION
CLERK

NOTE

March 25, 2011

PLEASE NOTE THAT I TRIED TO SEND THE ATTACHED DOCUMENTS BY E-MAIL SEVERAL TIMES ON MARCH 24 AND 25, 2011, AND THEY WOULD NOT GO THROUGH PER THE REJECTION NOTICES I RECEIVED.

THEREFORE, ALL COPIES ARE BEING SENT BY US MAIL CONTRARY TO THE STATEMENT ON THE LAST PAGE OF THE LETTER.



Dr. Stephen J. Faherty, Sr.

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FPSC-COMMISSION CLERK

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6985 57th St.
Vero Beach, FL 32967
Mobile = 772-473-7629
Glenn@HFBLLC.com

Ms. Ann Cole, Commission Clerk
Office of Commission Clerk
2540 Shumard Oak Blvd.
Florida Public Service Commission
Tallahassee, FL 32399-0850

In Re: Docket No. 090524-EM – Declaratory Statement Petition by Dr. Stephen J. Faherty and Glenn Fraser Heran against the City of Vero Beach (City)

March 24, 2011

Dear Ms. Cole:

In relation to the City of Vero Beach's March 10, 2011, response to the Public Service Commission (PSC) February 10, 2011 request for information, we have the following comments.

- A. Under the PSC questions related to the referendum election required by Section 366.04(7)(a), F.S., the Commission asked the City about the number of retail customers the City had. In response the City noted under question 2 that it had 27,854 total retail electric customers as of September 30, 2007 and under question 3 explained the methodology the City used to make that determination.

The City claims that it did not have a definition under the PSC statutes for the term "customer" and thus relied on the Merriam Webster's Collegiate Dictionary and Black's Law Dictionary for a definition of the term Customer. The City then cites the definition of "customer" in PSC Rule 25-6.003(2)(b), F.A.C. The City's approach totally ignores the use of the term "customer" as defined and as used in the context of the other definitions contained in the same PSC section which was adopted by the PSC in 2000 (See Attachment A).

For example, under the definition of "meter", the PSC states "... The word "Meter," when used in these rules without other qualification, shall be construed to mean any device used for the purpose of **measuring the service rendered to a customer** by a utility." (Bold and underlining added) There does not appear to be any "qualification" in the use of "customer" in PSC Section 366.04(7) other than the adjective "retail." Also note that that a meter is measuring service to "**a customer**". Thus, a reasonable person should be able to logically conclude "a singular or oneness (as used in Black's Law Dictionary) in the term "customer."

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

There should also be an indication and correlation of the number of individual customers as evidenced by the number of individual meters and accounts.

In Section (2)(d), "Point of Delivery" is defined as "The first point of connection between the facilities of the serving utility and the premises wiring." Nowhere in the definition does it mention "point of delivery" to a collection of delivery points with the same named customer who may be in different governmental and taxing jurisdictions. Individual bills are generally provided to the account holder of the individually metered premises.

Furthermore, Section (e), "Service" is defined as "The supply by the utility of electricity to **the customer**, including the readiness to serve and availability of electrical energy at **the customer's** point of delivery at the standard available voltage and frequency whether or not utilized by the customer." (Bold and underlining added) Thus, the PSC definition correlates "service" with an individual customer and the customer's point of delivery and also with the standard voltage and frequency which could vary by customer and/or meter and not be the same to all serviced "points of delivery" for a similarly named customer!

The PSC definitions are cited in Section (1) as being "Definitions of general applicability. The definitions of terms used in this chapter shall be as stated in the Authoritative Dictionary of IEEE Standard Terms, 7th edition, published in December 2000, incorporated herein by reference, except to the extent and for the purposes that the terms are defined elsewhere in this chapter. The definitions in subsection (2) shall be used for all purposes in this chapter." Thus, the definitions of the PSC should be those known by the City's electric utility staff!

If the City lumps all of the customers with the same names in the same group, how does it distinguish a "customer" having the same name but meters located in three governmental jurisdictions (Indian River County (County), City, and Town of Indian River Shores (Shores) which have different utility taxing structures? In the County, there is a County 6% franchise fee on the total bill and prior to January 1, 2010 there was a 10% City imposed Municipal Surcharge. In the Shores, the City and the County cannot impose either of those taxes and the Shores did not impose any of its own utility taxes. The City imposes a 10% tax on its base rate for the inside City customers. If they are the same group, then how does a "grouped" customer with different jurisdictional points of delivery" (assuming the same "service") have different taxes on the customer's bill? We do not believe one consolidated bill is sent for all of a customer's premises, even for the City as it disperses the accounting cost of its electricity to its own individual Departments.

To provide further evidence of the duplicitous statements by the City regarding the use of the word "customer", please see Attachment # 1 which is an October 20, 2005 notification to the PSC of proposed rates and charges the City intended to effect. The "Miscellaneous" page of the attachment shows "accounts", not

“meters” or “customers”, to which the State Sales Tax and State Gross Receipts Tax will be applied. Note that the City Utility Tax (applied to City customers in City), the Outside Municipal Surcharge (applied to unincorporated County customers of the City), and the County Fee-In-Lieu of Franchise Fee are applied differently to “customer/account/meter/service/point of delivery” **locations** depending on governmental jurisdiction, not by clustering the inside and the outside customers with the same name. There are no taxes, fees, or surcharges applied to the Shores. It is further noted that “At the option of the City, Electronic Payment of the customer’s utility bill will be permitted.” It does not mandate that it must be for all of a customer’s bills because all customers with the same name must be considered the same customer. The PSC should have other filings from the City showing a different and higher customer count than the City’s “consolidated” customer count. If I correctly recall my conversations with the late Representative Stan Mayfield, he used in his legislation adding PSC Section 366.04(7) the City’s customer count filed with the PSC for the period ending September 30, 2007.

Attachment # 2 is a copy of page 132 from the City’s audited 2009 financial reports which contain the number of Electric system customers for the years 2006-2009. It would seem that the City’s auditors are able to determine the number of electric customers for those years even if other parts of the City’s government are not. The auditors must get information from the City for their Audit report. Therefore, it should be assumed the City gave its auditor’s the customer count and therefore it should be assumed the City was able to calculate a “customer” count for 2006 – 2009 and for September 30, 2007! If that explanation is not acceptable, then why would the City allow its auditors to show incorrect customer counts?

In Attachment # 3 are 4 pages from a January 27, 2009 City work order to consultant PRMG., a specialist in electric rate and service work, in which there are persistent City uses of the word “customer” versus “meter”, “account”, etc., to describe what work the City expects from PRMG for its “customer” rate classes. The presumption should be that the City should have a definition for the term “customer” if it is using it in a Request For Proposal (RFP).

In Attachment # 4 are 3 pages from the August 2009 PRMG report to the City containing just some of the references to “customer classes.” The report does not cite the collation of accounts with similar names into “one customer account.” The report further shows the break down of customers by inside and outside of the City per the City’s request.

In Attachment # 5 are 5 pages from the August 19, 2009 Electric Rate Study done for the City by PRMG which show on page 2 the reference to 34,000 service meters and on remaining pages the references to customers inside and outside of the City which could not be described as such if a “customer” had inside and outside City “premises” and was a consolidated account. It appears that the

PRMG is using the terms “customer” and “meters” interchangeably. Please note in this attachment on page 14 of the PRMG Report the column of existing rates. The date of this report is August 19, 2009 when the City’s Municipal Surcharge was still in effect.

Under “Section 25-9.0525 Municipal Surcharge on Customers Outside Municipal Limits. (1) The provisions of Rule 25-9.052, F.A.C., notwithstanding, a municipal electric utility may impose on those customers outside of its corporate limits a surcharge equal to the public service tax charged by the municipality within its corporate limits. To be equal to the tax, the surcharge shall apply to the same base, at the same rate, in the same manner and to the same types of customers as the tax.” Note the difference in the rates and fees. In order for the City to have imposed the Municipal Surcharge under Section 25-9.0525, the rates for inside and outside customers are to be the same. Per this report, the City apparently charged different rates for inside and for outside customer contrary to PSC statutes. Furthermore, if a “customer” referred to in the Municipal Surcharge section had accounts inside and outside of the City, would the Municipal Surcharge have been charged on accounts inside the City as it was only one customer?

In effect, the City has generally used the terms “customer” and “meter” interchangeably except when the distinction was being made for specific reasons such as a reference to inactive meters versus active customers. Thus, the City’s stated difference between “customer” and “meter” is a distinction without a difference.

We believe the City deliberately chose to make the distinction in its new customer number in 2008 in order to avoid the application of Section 7(c) of the PSC statutes to its utility! The PSC should also identify the individual persons in the City hierarchy who were participants in the discussions and recommendations for this evasion of PSC statutes!

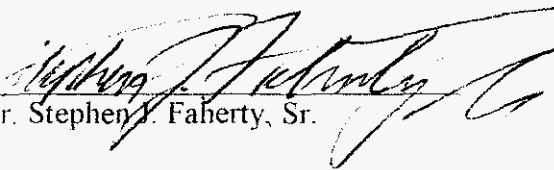
- B. In relation to the questions regarding the Cost of Service Study filed with the PSC on September 19, 2009, two points should be made.

First, from its reports, apparently the City charged different rates for inside and outside customer contrary to PSC statutes. In order for the City to have imposed the Municipal Surcharge under Section 25-9.0525, the rates for inside and outside customers are to be the same.

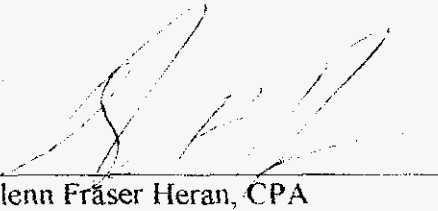
Second, the City’s consultant stated at the public meeting where he presented his report that the Base Rate included the approximately \$3 M previously collected by the City from outside customers in the County. Thus, that increase in the base rate was not cost justified, but revenue justified.

- C. Regarding the number of customers outside of the City around 1981, Attachment 6 is an e-mail exchange in December 2008 between Dr. Faherty and John Lee, City Customer Service Director regarding the number of customers inside and outside of the City in 70's, 80's, & 90's and my recollection then of Mr. Lee having said previously that 10-15% of the City's customers were outside of the City in the early 1980's. Mr. Lee didn't correct my recollection in a subsequent e-mail. Mr. Lee had based his recollection on his experience with the City's electric Division which dates back 31 years to 1980. He also indicated in the e-mail that although the City normally did not retain records after a certain point, he may have access to some old records that could provide that information.

Thank you for the opportunity to comment.



Dr. Stephen J. Faherty, Sr.



Glenn Fraser Heran, CPA

Attachments:

Attachment A = PSC Definitions

Attachments 1-6 = City Documents

Copy by e-mail to:

Wayne R. Coment, Acting City Attorney
Martha Carter Brown, Senior PSC Attorney
Shalonda Hopkins, PSC

Copy by mail or hand delivery to:

Wayne R. Coment, Acting City Attorney

ATTACHMENT A

25-6.003 Definitions.

(1) Definitions of general applicability. The definitions of terms used in this chapter shall be as stated in the Authoritative Dictionary of IEEE Standard Terms, 7th edition, published in December 2000, incorporated herein by reference, except to the extent and for the purposes that the terms are defined elsewhere in this chapter. The definitions in subsection (2) shall be used for all purposes in this chapter.

(2) Definitions of terms.

(a) "Commission." Unless a different intent clearly appears from the context, the word "Commission" shall be construed to mean the Florida Public Service Commission.

(b) "Customer." Any person, firm, partnership, company, corporation, association, governmental agency or similar organization, who makes application for and is supplied with electric service by the utility for its ultimate use and not for use by, to, or through any other person or entity unless specifically authorized by the Commission.

(c) "Meter." The word "meter," when used in these rules without other qualification, shall be construed to mean any device used for the purpose of measuring the service rendered to a customer by a utility.

(d) "Point of Delivery." The first point of connection between the facilities of the serving utility and the premises wiring.

(e) "Service." The supply by the utility of electricity to the customer, including the readiness to serve and availability of electrical energy at the customer's point of delivery at the standard available voltage and frequency whether or not utilized by the customer.

(f) "Service Drop." The overhead service conductors from the last pole or other aerial support to and including the splices, if any, connecting to the service entrance conductors at the building or other structure.

(g) "Service Lateral." The underground conductors between the transformer(s) or transformer secondary, including any risers at a pole or other structure, and the point of delivery.

(h) "Utility." Unless a different intent clearly appears from the context, the word or words "utility" or "electric utility" as used in these rules shall have the same meaning as set out for "public utility" in Section 366.02, F.S., and shall include all such utilities subject to Commission jurisdiction.

Specific Authority 366.05(1) F.S. Law Implemented 366.05(1) F.S. History-New 7-29-69, Amended 4-13-80, Formerly 25-6.03, Amended 12-4-03.

05dxo

ORIGINAL

City of Vero Beach

1053 - 20th PLAC; - P.O. BOX 1385
VERO BEACH, FLORIDA - 32961-1389
Telephone: (772) 578-5125 * Fax: (772) 578-5125

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ATTACHMENT # 1

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October 20, 2005

Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Subject: Electric Rate Filing
for the City of Vero
Beach, Florida

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The proposed rates and charges were presented to and approved by the City Council at a public meeting on September 8, 2005. Accordingly, pursuant to the rules of the Public Service Commission (FPSC), four (4) copies of the revised tariff sheets are submitted in final form in Attachment I. The following is a summary of the revised tariff sheets in Attachment I.

Table with 2 columns: Revised Tariff Sheet, Fourth Revised Sheet No. (1.0), Seventh Revised Sheet No. (4.0), Eight Revised Sheet No. (5.0), Ninth Revised Sheet No. (8.0), Ninth Revised Sheet No. (9.0), Eight Revised Sheet No. (10.0), Second Revised Sheet No. (10.1), Eight Revised Sheet No. (11.0), Second Revised Sheet No. (11.1)

This filing contains two general rate changes. The first is a three percent (3%) increase in the residential, commercial non-demand, commercial demand, and industrial demand rates. This change is the first change in these rates since August of 1999. This general increase is intended to adjust for normal inflation and will be effective until such time that the City completes a - Comprehensive rate study. C O M

The second rate change is a two percent (2%) Hurricane Recovery Fund surcharge designed to replenish the City's emergency fund that was depleted during Hurricanes Francis and Jeanne in - ECR) \^ £ i i £ J September of 2004. This surcharge will be in effect for a period, not to exceed two years.

GCL

"Attachment II contains one (1) copy of the revised tariff sheets in legislative format to indicate e additions and deletions on the revised tariff sheets compared to the existing sheets currently on file with the FPSC.

SGF _____
SGA _____
SGC _____

City of 'Ve.ro Bee

1053-20th Pi ACE - P.O. BOX
VERO BEACH, FLORIDA - 32961
Telephone: (772) 978-5100 * Fax: (772)-

October 20, 2005
Page 2

All correspondence associated with the rate filing, including any requests for additional information, and comments regarding the rate filing should be directed to:

Florida Public Service Commission

John T. Lee
Customer Service Manager
City of Vero Beach
PO Box 1389
Vero Beach, Florida 32961-1389
772-978-5127
jlee@covb.org

Thank you for your consideration of the City's rate filing. Please do not hesitate to contact me if you have any questions.

Sincerely >• *

, - n

/ John T. Lee
Customer Service Manager

MISCELLANEOUS

STATE SALES TAX - State Sales Tax shall be applied to the total electric bill on all commercial and industrial accounts unless current state sales tax exemption certificate is on file with the Customer Service Department.

CITY UTILITY TAX - A City Utility Tax of ten percent (10%) shall be added to all rate schedules for service inside the city limits. The amount will not exceed the limitation established by Subsection 166.123, Florida Statutes.

OUTSIDE CITY SURCHARGE - A surcharge for service provided outside the corporate limits of the City shall be added to all rate schedules. The amount of the surcharge shall be equal to the utility tax imposed on service inside the City limits. The surcharge shall apply to the same base, at the same rate, in the same manner and to the same rate schedules as the utility tax, all as set forth in Rule 25-9.525 of the Florida Administrative Code.

HURRICANE RECOVERY FUND - A two percent (2%) Hurricane Recovery charge will be applied to residential, commercial, & industrial rates for a period of no more than 2 years.

TERMS OF PAYMENT - All bills are due when rendered and become delinquent twenty-one (21) days from billing date. After twenty-one (21) days, a delinquent notice is mailed allowing an additional ten (10) days. If not paid by date stated on delinquent notice, service may be discontinued without further notice.

At the option of the City, Electronic Payment of the customer's utility bill will be permitted.

COUNTY FEE-IN-LIEU-OF-FRANCHISE FEE - A six percent (6%) County fee-in-lieu-of-franchise fee shall be added to all rate schedules for electric, water, and/or sewer service provided to customers who reside in the unincorporated areas of Indian River County and receive service from the City and shall be applied to the total bill for such service pursuant to ordinance provisions of Indian River County.

STATE GROSS RECEIPTS TAX - A State Gross Receipts Tax in accordance with Section 203.01 of the Florida Statutes will be charged on electric sales at a factor of 2.5641 percent.

DISCLAIMER OF LIABILITY - The City will use reasonable diligence at all times to provide continuous service at agreed normal voltage, and shall not be liable to the customer for complete or partial failure or interruption of service, or for fluctuations in voltage, resulting from causes beyond its control, or through the ordinary negligence of its employees, servants, or agents, nor shall the utility be liable for the direct or indirect consequences of interruptions or curtailments made in accordance with the provisions of its rate schedules for interruptible, curtailable, and load management service. The City shall not be liable for any act or omission caused directly or indirectly by strikes, labor troubles, accidents, litigation, shutdowns or repairs or adjustments, interference by federal, state, or county government, acts of God, or other causes beyond its control.

Issued by: James Gabbard
City Manager

Approved: December 1, 2005

ATTACHMENT # 2

**CITY OF VERO BEACH, FLORIDA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public Safety				
Police Department				
Traffic Violations	3,373	4,170	4,112	4,148
Parking Tickets	2,251	1,723	1,926	2,113
Physical Arrests	903	1,751	1,185	862
Transportation				
Streets and Highways				
Miles Paved	-	0.33	0.68	0.68
Asphalt for road maintenance (tons)	1,180	251	150	150
Sidewalks Repaired (sq ft)	11,000	36,720	46,575	9,000
Physical Environment				
Stormwater Ditches Maintained (miles)	15	15	15	15
Culture and Recreation				
Parks (acreage maintained)	229	229	229	229
Electric System				
Customers	33,216	33,231	33,442	33,299
Residential Consumption (KW in OOs)	347,195	351,613	363,230	366,479
Commercial Consumption (KW in OOs)	347,717	365,446	364,997	350,111
Industrial Consumption (KW in OOs)	12,026	19,379	17,534	16,879
Water System				
Customers	21,899	22,016	22,114	22,126
Water Consumption (GAL in OOs)	1,466,096	1,468,473	1,621,813	1,644,306
Irrigation Water Consumption (GAL in OOs)	377,507	375,001	476,129	441,762
Reuse Water Consumption (GAL in OOs)	517,712	541,931	650,699	622,802
Golf Course Water Consumption (GAL in OOs)	449,761	454,868	422,609	426,975
Solid Waste				
Customers	8,130	8,612	8,132	8,230
Refuse Collected (TONS)	16,318	18,566	19,348	21,535
Yard Trash Collected (TONS)	2,198	2,227	2,000	1,736
Recyclables Collected (TONS)	11	5	21	96

(1) Information not available

TO: The Honorable Mayor and Members of the City Council

#3

FROM: James M. Gehring, City Manager

DATE: January 21, 2009

SUBJECT: COST OF SERVICE RATE STUDY CONTRACT FOR ELECTRIC, WATER AND SEWER


Please find attached a copy of the Professional Services Master Agreement for Professional Cost Consulting Services with Public Resources Management Group, Inc. Also attached is a memorandum from R.B. Sloan, Director of Electric Utilities, which recommends approval of the Electric Rate Study in the amount of \$39,000.00.

Additional Work Orders are also included as they relate to the Water and Sewer Departments.

It is the recommendation of the City Manager's Office that Council approve execution of the following contract and work orders:

- Professional Services Master Agreement for Professional Rate Consulting Services with Public Resources Management Group, Inc.
 - o Work Order No. 1 - Electric Rate Study - \$39,000.00
 - o Work Order No. 2 - Water and Wastewater Rate Study - \$87,000.00
 - o Work Order No. 3 - Wastewater Disposal Rate - \$1,000.00
 - o Work Order No. 4 - New Wastewater Treatment Plant Rate Input Analysis - \$3,000.00
 - Total amount of Work Orders = \$130,000.00

Funding for Work Order No. 1 (Electric Rate Study) will be from Account No. 491.5000.531.331001, with the remaining work orders, as they relate to water and sewer, being paid from Account No. 421.5005.536.331001.



 James M. Gehring
 City Manager

cc: Attachments

- cc: R.B. Sloan
- cc: Rob Miller
- cc: Arnie Lee
- cc: John McCall
- cc: Stephen Walker

DATA TO BE FURNISHED. CITY agrees to provide to PROFESSIONAL the following documents, material, and data as required in connection with the work to be performed under this MASTER AGREEMENT and each WORK ORDER hereunder:

1. A copy of all available preliminary data or reports in the possession of CITY that are pertinent to the project, such as financial operational and customer billing data.

B. OTHER CITY RESPONSIBILITIES. CITY shall be responsible for:

1. CITY responsibilities as set forth in the terms of the applicable WORK ORDER issued pursuant to this MASTER AGREEMENT.

C. DESIGNATED CITY REPRESENTATIVE.

1. **REPRESENTATIVE AS TO MASTER AGREEMENT.** CITY designates the following listed individual as CITY's designated representative, to represent CITY in all matters pertaining to this MASTER AGREEMENT.

Name:	_____
Title:	_____
Street Address:	<u>1055 20th Place</u>
Mailing Address:	<u>P.O. Box 1389</u>
	<u>Vero Beach, Florida 32961-1389</u>
Telephone:	<u>772-978-4710</u>
Facsimile:	<u>772-778-3856</u>

2. **REPRESENTATIVE AS TO WORK ORDERS.** CITY shall designate in each WORK ORDER its representative for all matters pertaining to performance of the work under such WORK ORDER together with such representative's address, telephone number and facsimile number.

3. Designated representatives and contact information may be changed by the giving of written notice as provided herein.

4. Designation of CITY representatives notwithstanding, it is understood that final authority for CITY on all matters rests solely with the City Council and PROFESSIONAL acknowledges this fact.

The scope of services to be performed by Public Resources Management Group, Inc. (PRMG) are related to the preparation of an electric rate study including: i) a five year financial forecast to develop projected revenue requirements and evaluate capital funding requirements; ii) a cost of service study to determine the City's individual customer classes' revenue responsibility; and iii) rate design analyses to develop rates for electric service that recover the projected revenue requirements. The proposed scope of services is summarized below by the following tasks:

Task I – Data Request and Data Gathering

PRMG will prepare a written data request for the collection of financial, customer billing, budgetary, operating and planning data necessary to conduct an electric rate study. Information requested will include, but is not limited to, financial statements, detailed accounting records such as general ledger trial balances, existing rate and fee schedules, wholesale power bills, operating budgets and capital work plans, existing debt service schedules, summaries of utility plant investment, and customer billing data by service area location (i.e. inside versus outside the City).

Task II – Five Year Financial Forecast

This task represents Phase I of the electric rate study and will provide the basis for subsequent development of cost of service analyses and rate design. Phase I of the study consists of the following activities:

1. Identification of Fiscal Policies and Objectives – This task will include the review of existing City Ordinances, financial policy and any loan agreements associated with outstanding loan obligations. Based on this review PRMG will identify goals related to financial performance indicators, capital funding practices and reserve fund policies to provide financial guidelines and support for the rate and fee setting.

2. Customer and Sales Forecast – PRMG will prepare a projection of customer and usage requirements based on detailed customer accounting information provided by the Client. This task will include a review of historical customer growth and usage statistics and consideration of future development activity, as well as, development of a profile of billing determinants. The billing statistic profiles will be prepared for both existing and proposed customers classes, if different, and reflect appropriate rate structure criteria. The task will involve the development of bill frequency reports based on billing records and reporting capabilities of the City's billing system. The first step of this task will be to work with City staff to specify the billing data to be provided. In addition, alternative rate/customer classes and rate design options to be considered in the study will be identified in conjunction with staff in order to assemble appropriate billing profiles. The billing data profiles will also recognize service within and outside the City.

existing rate schedules. Such forecast will consider new connections within the City's service area, as well as, estimated changes within customer usage patterns that could occur over time related to energy conservation and demand side management programs. This step will also include development of projections of the miscellaneous revenues and other income

4. Development of Operating Expense Projections and Capital Funding Requirements -- Based on the adopted budget, for Fiscal Year 2009, PRMG will develop a five year forecast of future operating expenses (FY2020 - FY2014). The five year forecast of operating expenses will be based on the current operating budget of the electric system and consider inflationary pressures on system costs including labor and benefits, repairs and maintenance, purchase power costs and other operating charges. PRMG will compile the electric system's five year capital improvement program and assist the City with developing appropriate capital funding strategies. This analysis will allow the City to evaluate the effects of alternative capital funding strategies on system revenue requirements, estimate future debt service requirements, cash balances and estimate the sufficiency of existing rate levels over the next five years. Additionally, the capital plan and alternative funding strategies will be used to estimate the adequacy of electric system impact fees.

5. Development of Net Revenue Requirements - PRMG will summarize the information developed in Task 4) to evaluate the sufficiency of existing rate revenues. This task will involve comparing the projected revenues anticipated from existing rates with the projected revenue requirements in order to estimate the adequacy of existing rate levels on a system-wide basis over the next five years. The results of the five year financial forecast, as well as discussions with City staff, will provide the basis for developing an overall system cost recovery strategy. This task will specifically identify the effects of eliminating the outside city surcharge on the overall electric system rates

All Subsequent tasks represent Phase 2 of the Study.

Task III – Test Year Cost of Service Analysis

This task will involve developing the support for proposed rate designs including residential, general service non demand, general service demand, large power rates, outdoor lighting, street lighting and demand side management and seasonal rate options as appropriate

1. Cost of Service Analysis – Based on the financial forecast developed in Task II above, and the cost recovery strategy developed in conjunction with the City staff, PRMG will conduct a test year cost of service analysis to develop the basis for proposed electric rates. The cost of service analysis includes the classification and allocation of costs among the various utility functions, customer classes and rate structure attributes. In particular the analysis will address the cost of serving each customer class. Unit costs will also be calculated to estimate the average customer demand and energy-related costs for each customer class. The individual classes' revenue responsibility identified in the cost of service analysis will be compared with revenues from existing rates to determine the appropriate customer-class rate level adjustments. Also for

ATTACHMENT # 4

Appendix A
City of Vero Beach
2009 Electric Rate Study

List of Tables and Charts

<u>Table No.</u>	<u>Description</u>
1	Classification of Net Revenue Requirements
2	Development of Load Factors
3	Allocation of Revenue Requirements to Customer Class
4	Cost Recovery Strategy - (BPCA Roll-up)
5	Projected Rate Design - Levelized Rates (BPCA Roll-up)
6	Summary of Proposed Electric Rates (Levelized Rates)
7	Projected Rate Design - By Class Across the Board (BPCA Roll-up)
8	Summary of Proposed Electric Rates (By Class Across the Board)
9	Projected Rate Design Base Case - (BPCA Roll-up)
10	Determination of Proposed Electric Base Rates
11	Summary of Existing and Proposed Electric Base Rates
12	Comparison of Rate Design Alternatives - Residential Bill at 1,000 kWh per Month
13	Summary of Proposed Outdoor Lighting and Rental Rates

<u>Chart No.</u>	<u>Description</u>
1	Residential Bill Comparison - 1,000 kWh
2	Residential Bill Comparison - 2,500 kWh
3	Commercial Non-Demand Bill Comparison - 1,500 kWh
4	Commercial Demand Bill Comparison - 10,000 kWh / 40 kW
5	Commercial Demand Bill Comparison - 60,000 kWh / 150 kW
6	Industrial Demand Bill Comparison - 200,000 kWh / 500 kW

Table 3
City of Yoro Beach
2009 Electric Rate Study

Allocation of Revenue Requirements to Customer Class

Line Item	Description	Total Year 2009	Residential	Commercial Demand	Commercial Demand	Customer Related
Allocation Factors						
1	Sales of Gas	221,731,604	116,192,061	92,721,531	178,012,593	809.7%
2	Percentage	100.00%	52.40%	42.05%	78.64%	0%
3	Meters (Thousands)	47,419	27,921	4,909	378	4%
4	Percentage	100.00%	58.88%	10.35%	0.8%	10%
5	Estimated Cost/Meter (Historical)	5.13	\$2,386	\$4,706	\$12,066	8%
6	Weight		1.0	1.0	6.0	
7	Weighted Meter (Thousands)	59,646	27,921	7,855	3,468	
8	Percentage	100.00%	46.81%	13.17%	5.81%	10%
12 CP Demand						
9	Load Factor		64.10%	68.70%	71.90%	100%
10	KW	121,288	61,637	16,111	43,984	5%
11	Percentage	100.00%	50.82%	13.29%	35.89%	0%
5 CP Demand						
12	Load Factor		45.90%	39.80%	60.80%	90%
13	KW	160,295	86,077	21,254	52,967	1%
14	Percentage	100.00%	53.70%	13.27%	33.03%	0%
Classified Costs						
15	Customer-Facility Related	\$1,010,015	\$,111,381	\$200,000	\$90,380	\$10
16	Customer-Service Related	2,210,899	1,647,791	324,876	238,232	
17	Customer-Service Related - Direct Outdoor Lighting	67,540	0	0	0	67%
18	Energy Related	50,470,434	27,684,225	7,256,151	21,820,189	110%
19	12 CP Demand Related	14,550,924	6,889,451	1,890,801	5,769,672	50%
20	5 CP Demand Related	18,435,235	9,604,044	2,447,491	6,783,700	88%
21	Direct Assign - Residential	0	0	0	0	
22	Direct Assign - Commercial Demand	0	0	0	0	
23	Direct Assign - Commercial Demand	0	0	0	0	
24	Direct Assign - Industrial Demand (Large)	0	0	0	0	
25	Direct Assign - Outdoor Lighting	669,588	0	0	0	100%
26	Adjustment to Outdoor Lighting	0	6,287	18,771	119,044	(16%)
27	Total Allocated Costs	\$22,969,632	\$10,442,763	\$10,068,786	\$12,458,083	\$1,061
28	Net Revenue Requirements (Payable from Rates)	\$22,969,632	45.22%	43.80%	54.67%	1%

Table 5
City of Vero Beach
2009 Electric Rate Study

Projected Rate Design - Levelized Rates (BPCA Roll-up)

Line No.	Description	Existing Rates	% Increase	Fiscal Year 2010	
				Proposed Rate	Determinants Rate Revenue
<u>RESIDENTIAL</u>					
Inside City - Rate Code E11					
1	Customer Charges	\$7.21	5.00%	\$7.57	9,867 \$898,198
2	Energy Charges (Including BPC & BPCA)	\$0.1198	5.00%	\$0.1258	117,297,869 14,751,172
3	Total Inside City - Rate Code E11				<u>\$15,655,176</u>
Outside City - Rate Code E12					
4	Customer Charges	\$7.21	5.00%	\$7.57	18,021 \$1,637,599
5	Energy Charges (Including BPC & BPCA)	\$0.1198	5.00%	\$0.1258	228,804,193 28,787,567
6	Total Outside City - Rate Code E12				<u>\$30,425,166</u>
7	TOTAL RESIDENTIAL	<u>\$13,895,163</u>	<u>4.97%</u>		<u>\$46,075,342</u>
<u>COMMERCIAL - NON-DEMAND</u>					
Inside City - Rate Code E14					
8	Customer Charges	\$8.63	5.00%	\$8.93	2,568 \$221,728
9	Energy Charges (Including BPC & BPCA)	\$0.1210	5.00%	\$0.1271	51,691,365 6,569,972
10	Total Inside City - Rate Code E14				<u>\$6,791,700</u>
Outside City - Rate Code E15					
11	Customer Charges	\$8.63	5.00%	\$8.93	2,342 \$208,895
12	Energy Charges (Including BPC & BPCA)	\$0.1210	5.00%	\$0.1271	41,090,166 5,214,851
13	Total Outside City - Rate Code E15				<u>\$5,423,746</u>
14	TOTAL COMMERCIAL - NON-DEMAND	<u>\$11,696,782</u>	<u>5.00%</u>		<u>\$12,215,446</u>

City of Vero Beach



ATTACHMENT # 8

2009 Electric System Rate Study Prepared on August 19, 2009

Presented By:



Public Resources Management Group, Inc.
Utility, Rate, Financial and Management Consultants

City's Municipal Electric System

- ❖ Comprises 34,000 service meters including residential, small commercial, large & industrial commercial and street lighting
 - Monthly Utility Rates include:
 - Monthly Service or Base Charge
 - Energy Charge
 - Power Cost Adjustment (Pass-through)
 - Demand Charge (large & industrial customers only)
- ❖ Primary power supply through Florida Municipal Power Agency
 - New power supply contract with Orlando Utilities Commission effective January 1, 2010
 - Projected costs expected to be 30% lower from today
 - OUC contract requires that the City maintain its primary generation to meet the City's peak demands
 - All units are required in the short-term to ensure electric reliability throughout the existing region

Fiscal Year 2010 Bills Expected to Decline

Summary of Monthly Customer Bills Based on Proposed Rates (Base Case)

Customer Class	Service Requirement	Existing Bill	Projected Bill [*]	Decrease in Mc Amount
Residential	1,000 kWh	\$158.82	\$125.95	(\$32.87)
Residential	2,500 kWh	\$386.24	\$340.45	(\$45.79)
Commercial Non-Demand	1,500 kWh	\$237.25	\$195.60	(\$41.65)
Commercial Demand	10,000 kWh / 40kW	\$1,548.58	\$1,317.60	(\$230.98)

[*] The study considered three (3) alternatives presented herein. Amounts based upon the recommended alternative Base Case

ATTACHMENT # 6

Dr. Stephen J. Faherty, Sr.

From: Dr. Stephen J. Faherty, Sr. [fahertydoc@earthlink.net]
Sent: Monday, December 01, 2008 9:54 AM
To: Lee, John
Subject: RE: Inside / Outside customer data

From: Lee, John [mailto:Lee@covb.org]
Sent: Monday, December 01, 2008 9:08 AM
To: Dr. Stephen J. Faherty, Sr.
Subject: RE: Inside / Outside customer data

Good morning Stephen

Sorry with my reply. Thanksgiving meant I completely forgot about your message. The City keeps most records for 30 years. Some information concerning the former airport is not readily available for the 1970-1980 period. There might be some old records in the warehouse, and when time permits I will have my employees check and notify if I could find any and the info that you seek. But if and when I do, I will send it to you.

I hope that you had a healthy and happy Thanksgiving and are now getting ready for the Christmas season.

John Lee

-----Original Message-----

From: Dr. Stephen J. Faherty, Sr. [mailto:fahertydoc@earthlink.net]
Sent: Monday, December 01, 2008 8:51 AM
To: Lee, John
Cc: Sloan, R.B.
Subject: RE: Inside / Outside customer data

John

I was wondering if you had any information as requested in 2nd ¶ below. Thanks

Steve Faherty

From: Dr. Stephen J. Faherty, Sr. [mailto:fahertydoc@earthlink.net]
Sent: Saturday, November 15, 2008 9:57 AM
To: 'Lee, John'
Subject: Inside / Outside customer data

customers and also of the number/percent within and outside of the City in each of the calendar years?

Steve Faherty

NOTE: Electronic mail or written communications received or sent by the City of Yuba (each in connection with public business or public records requests) including names, addresses, and e-mail addresses, are public records. They are generally subject to view by anyone requesting disclosure. Do not send electronic mail or written correspondence to this public entity if you do not want the content, including names, addresses, and e-mail addresses, released in response to a public records request.