

Mayor

Marni L. Sawicki

Council Members

District 1: James D. Burch

District 2: John M. Carioscia Sr.

District 3: Leonard Nesta Jr.

District 4: Richard Leon

District 5: Rana M. Erbrick

District 6: Richard Williams

District 7: Derrick Donnell, Ed.D.



1015 Cultural Park Blvd.
Cape Coral, FL

City Manager

John Szerlag

City Attorney

Dolores Menendez

City Auditor

Margaret Krym

City Clerk

Rebecca vanDeutekom

AGENDA
COMMITTEE OF THE WHOLE

March 4, 2015

4:30 PM

815 Nicholas Parkway,
Conference Room A200

PLEDGE OF CIVILITY

We will be respectful of each other even when we disagree.
We will direct all comments to the issues. We will avoid personal attacks.

1. MEETING CALLED TO ORDER

A. Mayor Sawicki

2. INVOCATION/MOMENT OF SILENCE

3. PLEDGE OF ALLEGIANCE

4. ROLL CALL

A. MAYOR SAWICKI, COUNCIL MEMBERS BURCH, CARIOSCIA,
DONNELL, ERBRICK, LEON, NESTA, WILLIAMS.

5. BUSINESS:

A. CITIZENS INPUT TIME

A maximum of 45 minutes is set for input of citizens on matters
concerning the City Government; 3 minutes per individual.

B. DISCUSSION

- (1) Utilities Extension Project (UEP) SW 6&7 and North 2 Update
- (2) Presentation on Electric Service by LCEC

6. TIME AND PLACE OF FUTURE MEETINGS

A. A Regular City Council Meeting is Scheduled for Monday, March 9,
2015 at 4:30 p.m. in Council Chambers

7. MOTION TO ADJOURN

GENERAL RULES AND PROCEDURES REGARDING THE CAPE CORAL CITY COUNCIL AGENDA

In accordance with the Americans with Disabilities Act and Section of 286.26, Florida Statutes, persons with disabilities needing special accommodation to participate in this meeting should contact the Office of the City Clerk at least forty-eight (48) hours prior to the meeting. If hearing impaired, telephone the Florida Relay Service Numbers, 1-800-955-8771 (TDD) or 1-800-955-8770 (v) for assistance.

Persons wishing to address Council under Citizens Input or the Consent Agenda may do so during the designated times at each meeting. No prior scheduling is necessary. All speakers must have their presentations approved by the City Clerk's office no later than 3:00 PM the day of the meeting.

Any citizen may appear before the City Council at the scheduled PUBLIC HEARING/INPUT to comment on the specific agenda item being considered. No prior scheduling is necessary.

Members of the audience who address the City Council shall step up to the speaker's lectern and give his or her full name, address, and whom he or she represents. Proper decorum shall be maintained at all times. Any audience member who is boisterous or disruptive in any manner to the conduct of this meeting shall be asked to leave or be escorted from the meeting room.

Copies of the agenda are available in the main lobby of Cape Coral City Hall and in the City Council Office, 1015 Cultural Park Boulevard. Copies of all back-up documentation are also available for review in the lobby of Council Chambers. You are asked to refrain from removing any documentation. If you desire copies, please request they be made for you. Copies are 15 cents per page. Agendas and back-up documentation are also available on-line on the City website (capecoral.net) after 4:00 PM on the Thursday prior to the Council Meeting.

***PUBLIC HEARINGS DEPARTMENT OF COMMUNITY DEVELOPMENT CASES**

In all public hearings for which an applicant or applicants exist and which would affect a relatively limited land area, including but not limited to PDPs, appeals concerning variances or special exceptions, and small-scale rezonings, the following procedures shall be utilized in order to afford all parties or their representatives a full opportunity to be heard on matters relevant to the application:

1. The applicant, as well as witnesses offering testimony or presenting evidence, will be required to swear or affirm that the testimony they provide is the truth.

2. The order of presentation will begin with the City staff report, the presentation by the applicant and/or the applicant's representative; witnesses called by the applicant, and then members of the public.
3. Members of the City Council may question any witness on relevant issues, by the applicant and/or the applicant's representative, City staff, or by any member of the public.
4. The Mayor may impose reasonable limitations on the offer of testimony or evidence and refuse to hear testimony or evidence that is not relevant to the issue being heard. The Mayor may also impose reasonable limitations on the number of witnesses heard when such witnesses become repetitive or are introducing duplicate testimony or evidence. The Mayor may also call witnesses and introduce evidence on behalf of the City Council if it is felt that such witnesses and/or evidence are necessary for a thorough consideration of the subject.
5. After the introduction of all-relevant testimony and evidence, the applicant shall have the opportunity to present a closing statement.
6. If a person decides to appeal any decision made by the City Council with respect to any matter considered at such meeting or hearing, he or she will need a record of the proceedings, and that, for such purpose, he or she may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

Item Number: B.(1)
Meeting Date: 3/4/2015
Item Type: DISCUSSION

AGENDA REQUEST FORM
CITY OF CAPE CORAL



TITLE:

Utilities Extension Project (UEP) SW 6&7 and North 2 Update

REQUESTED ACTION:

Informational

STRATEGIC PLAN INFO:

1. Will this action result in a Budget Amendment? No
2. Is this a Strategic Decision? Yes

If Yes, Priority Goals Supported are listed below.

If No, will it harm the intent or success of the Strategic Plan?

PRIORITY GOAL #3: INVEST IN COMMUNITY INFRASTRUCTURE INCLUDING UTILITIES EXPANSION IMPROVEMENTS TO ENHANCE THE CITY'S ABILITY TO MEET THE NEEDS OF ITS CURRENT AND FUTURE RESIDENTS.

Planning & Zoning Recommendations:

SUMMARY EXPLANATION AND BACKGROUND:

LEGAL REVIEW:

EXHIBITS:

UEP SW 6&7 and North 2 Power point Presentation

PREPARED BY:

Elizabeth Schultz-
Ellis

Division- Utilities Extension
Office

Department- City
Manager

SOURCE OF ADDITIONAL INFORMATION:

Paul Clinghan, P.E., Utilities Extension Manager

ATTACHMENTS:

Description

Type

☐ Staff presentation - SW 6&7 and North 2

Presentation



Utilities Extension Project (UEP) SW 6 & 7 and North 2 Update

Committee of the Whole Meeting

March 4, 2015

Discussion Outline

- **UEP Service Area Plan**
- **SW 6 & 7 UEP Update**
- **North 2 UEP Update**

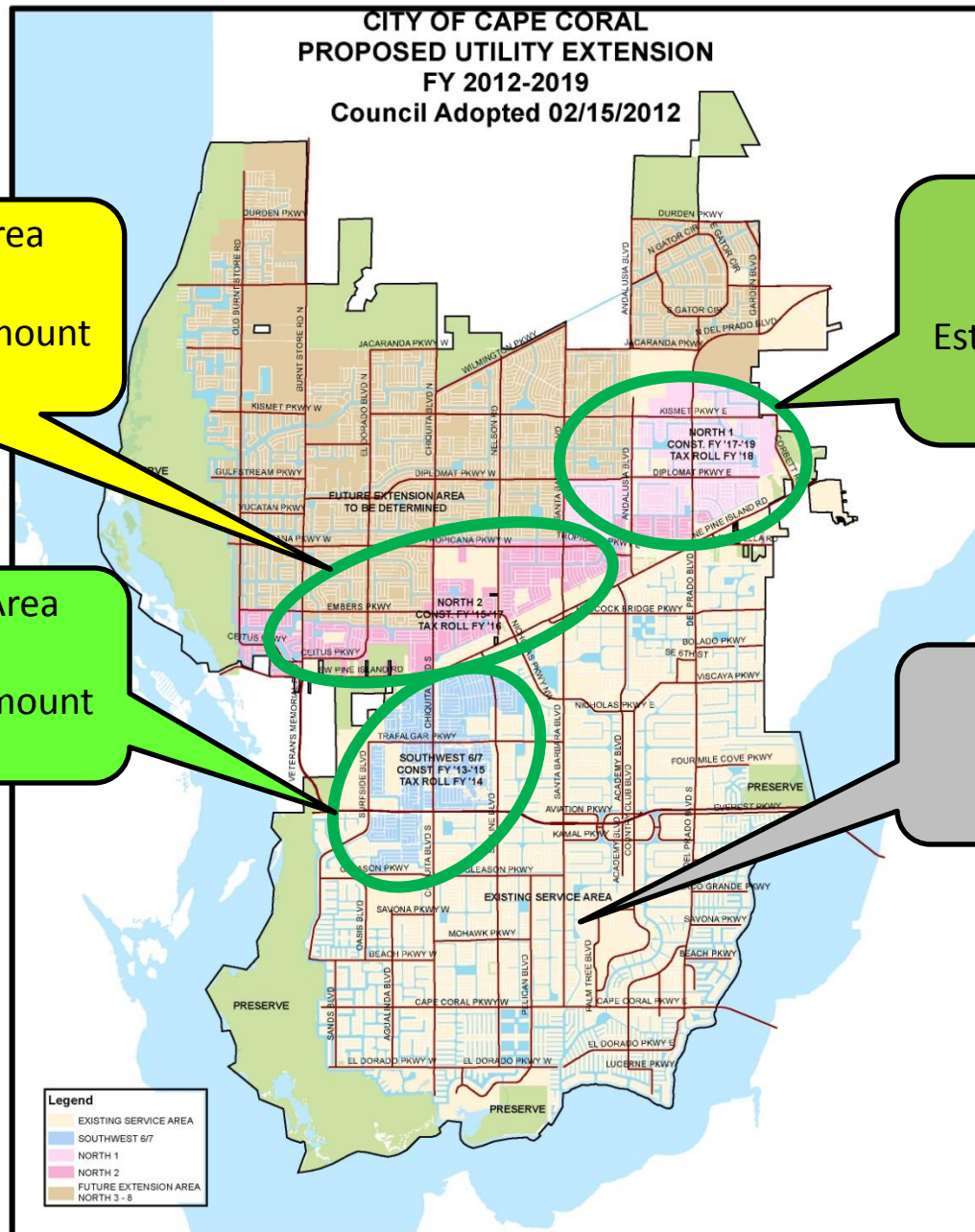
**CITY OF CAPE CORAL
PROPOSED UTILITY EXTENSION
FY 2012-2019
Council Adopted 02/15/2012**

North 2 Service Area
4.27 Sq Miles
Estimated Project Amount
\$137 Million

North 1 Service Area
3.50 Sq Miles
Estimated Project Amount
\$118 Million

SW 6 & 7 Service Area
3.34 Sq Miles
Estimated Project Amount
\$103 Million

**Existing
Service
Area**

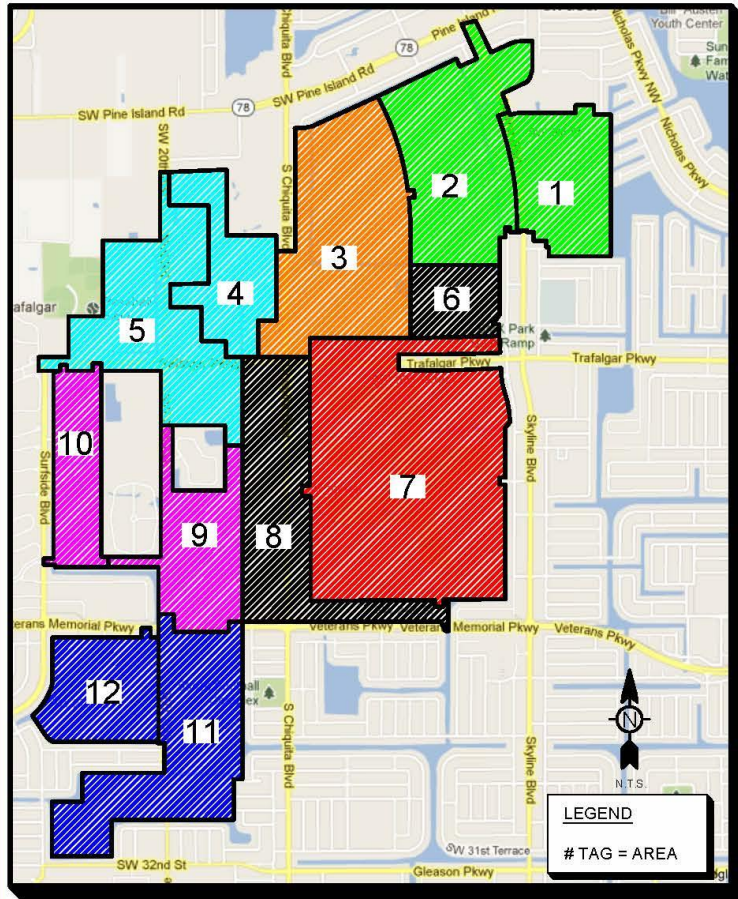









SW 6 & 7 UEP Update

- **SW 6 & 7 UEP Plan**
- **Engineering Budget**
- **Construction Budget**
- **MBE / WBE Utilization**
- **Schedule – Project Close Out**
- **Plumber's Connections**

CITY OF CAPE CORAL UTILITIES EXTENSION PROJECT SOUTHWEST 6 & 7

AREA IDENTIFICATION BY CONTRACT



-  I (AREA 7) - SOUTHWEST UTILITY SYSTEMS, INC.
-  II (AREA 3) - RIC-MAN INTERNATIONAL, INC.
-  III (AREAS 11 & 12) - GUYMANN CONSTRUCTION OF FLORIDA, INC.
-  IV (AREAS 4 & 5) - STEVENS & LAYTON, INC.
-  V (AREAS 9 & 10) - MITCHELL & STARK CONSTRUCTION CO., INC.
-  VI (AREAS 1 & 2) - MITCHELL & STARK CONSTRUCTION CO., INC.
-  VII (AREAS 6 & 8) - GUYMANN CONSTRUCTION OF FLORIDA, INC.

Engineering Budget

- **Original Fee = \$7,679,332**
- **Approved Contingency = \$383,966**
- **Presently Under Budget**
- **Lake Kennedy Canal Pump Station, Future Canal Pump Stations and Irrigation Tanks**

Construction Budget

- Original Bid for 7 Contracts = \$73,080,089
- Approved Contingency = \$5,115,606
- Direct Purchase Order Savings = \$613,701
- Change Orders
- Final Balancing Change Order

Construction Budget - Change Orders

- **Elimination of Meter Boxes**
- **No Lead Fire Hydrants**
- **Gravity Sewer Televising**
- **Lift Station Modifications**
- **Makai Canal Culverts**

Construction Budget - Change Orders

- **Veterans Pkwy Directional Drills**
- **Chiquita Boulevard Pavement & Widening**
- **Skyline 8" Force Main and Directional Drill**
- **Heatherwood Lakes Irrigation Main (TBD)**
- **Skyline Boulevard Pavement (TBD)**

Construction Budget

Final Balancing Change Order

- **Misc. Bid Items – Final Quantities**
- **Additional Pavement**
- **SW 20th Ave. widening savings**
- **Concrete driveway savings**
- **Pressure main diversion savings**

MBE / WBE Utilization

- **Approximately \$2.7 Million paid to Minority Business Enterprise (MBE) / Women Business Enterprise (WBE) companies during the SW 6 & 7 UEP construction**

Schedule – Project Close Out

- **Substantial Completion in June 2015**
- **Punch List**
- **Final Completion**
- **1 Year Warranty**
- **Retainage**

Schedule – Project Close Out

- **Water, Sewer, Irrigation**
- **Storm Drain and Swales**
- **Pavement**
- **Driveways**
- **Sod and Hydro-Seeding**

Schedule – Project Close Out

- **Home Damage Claims**
- **Driveway Damage Claims**
- **Vehicle Damage Claims**
- **Record Drawings**
- **Lift Station O & M's**





Plumber's Connections

- “Notice of Availability” letters
- Homes have 180 days to connect
- Water, Sewer, and Irrigation connections
- Private wells
- Three UEP Inspectors to inspect connections

Typical Plumber's Connection Costs

Description	Estimated Amount (1)
Plumber's Connection	\$1,200 -\$1500
Department of Health: Septic Abandonment Permit	\$75
Water Meter Purchase and Install	\$310
Account Deposit	\$100

Note: 1. Based on one 5/8" water service.

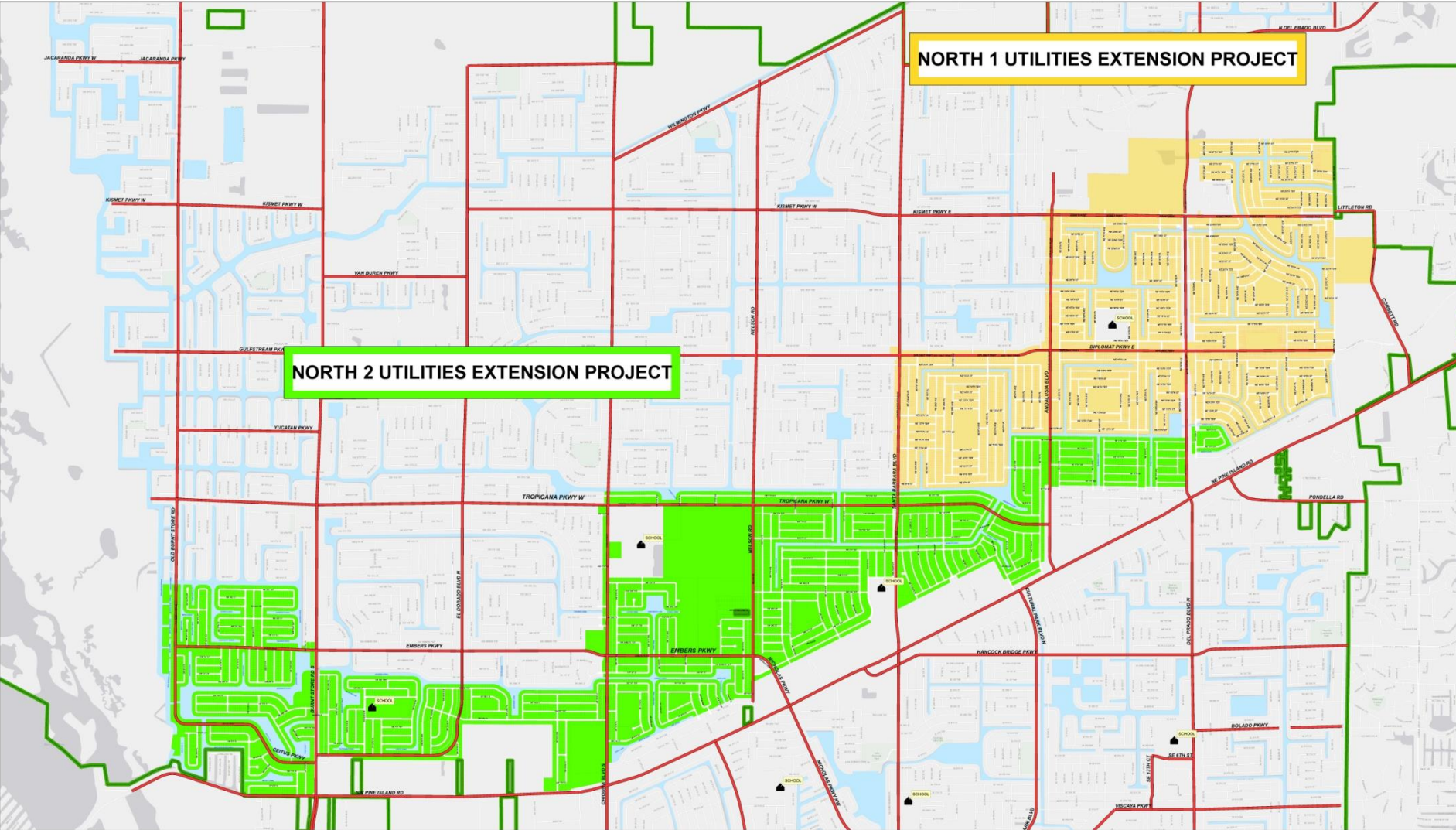
SW 6 & 7 Update



Questions

North 2 UEP Update

- **North 2 and 1 UEP Plan**
- **North 2 UEP Plan Approval**
- **Engineering**
- **Schedule**
- **Financing**
- **Future Council Meetings**



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Map Author: Darryl Clare, Ph.D., GISP

City of Cape Coral

Date: 6/3/2014



Document Path: W:\Gis Data\PW\projects\2004 gis projects\Public Works\Elizabeth Schultz\UEP and Streets\North 1 and 2 Utilities Extension Project 05272014.mxd

NORTH 2 UTILITIES EXTENSION PROJECT

SPREADER WATERWAY
OLD BURNT STORE RD
ISLA DE MONA CANAL

BURNT STORE RD S
QUANDRY CANAL

EL DORADO BLVD N

CHIRQUITA BLVD S

NELSON RD

STATE BARBARA BLVD

CULTURAL PARK BLVD N

DEL PRADO BLVD N

TROPICANA PKWY W

EMBERS PKWY

SHADROE CANAL

SW PINE ISLAND RD

VENUS LAKE

MINERVA CANAL

NICHOLAS PKWY

NE PINE ISLAND RD

HANCOCK BRIDGE PKWY

DIPLOMAT PKWY E

BAL MORAL CANAL

ZURICH CANAL

BANJO CANAL

ARROWHEAD LAKE

KIMBERLY LAKE

HERMOSA CANAL

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City of Cape Coral

Date: 6/2/2014



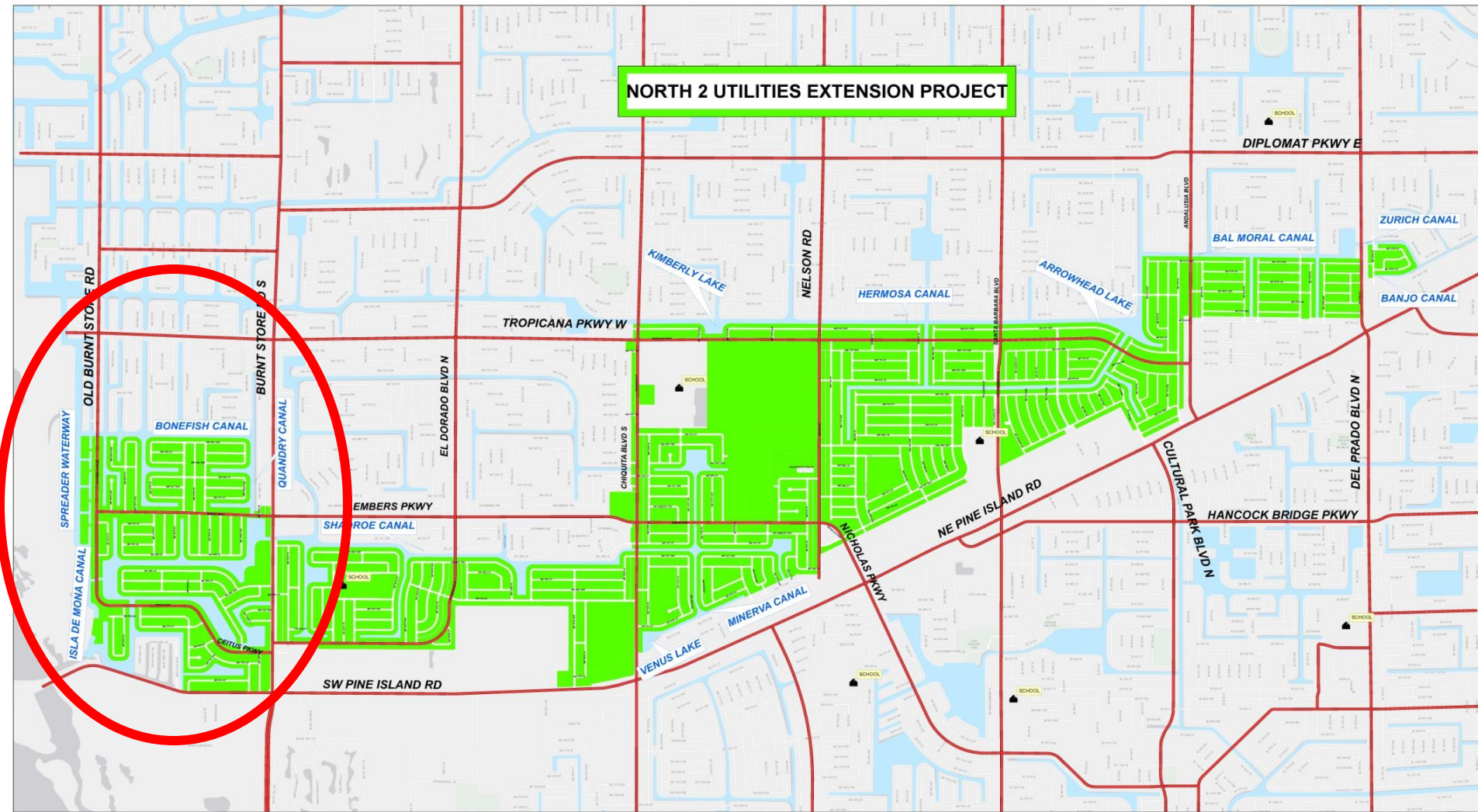
Map Author: Darryl Clare, Ph.D., GISP

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North 2 UEP Plan Approval

- **Original North 2 Plan adopted 2012**
- **Extension of North 2 area up to the Bonefish Canal recommended**
- **Extended area includes 4 of the 7 islands**
- **Does Council want to include the 3 northern islands in the North 2 assessment ?**

NORTH 2 UTILITIES EXTENSION PROJECT



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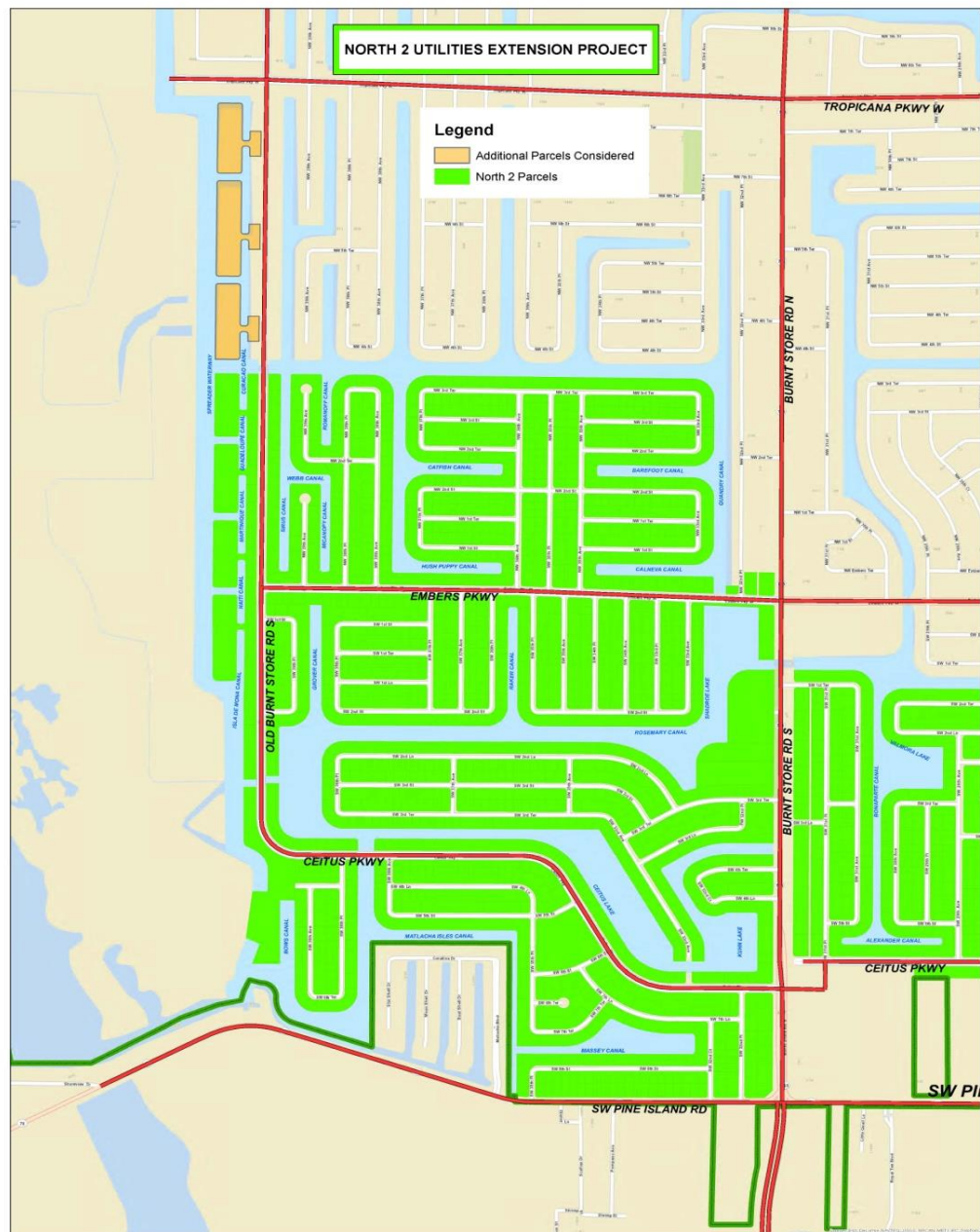
Map Author: Darryl Clare, Ph.D., GISP

City of Cape Coral

Date: 6/2/2014



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Map Author: Cheryl Clure, Ph.D., GISP

**City of Cape Coral
North 2 UEP**

Date: 2/20/2015





Engineering

- In November 2014 the City received the North 2 “Water First” CAD plans including water design, survey and geotechnical data from MWH.
- Advertised Request for Qualifications (RFQ) in December 2014
- Received RFQ’s from four engineering firms in January 2015

Engineering

- **Evaluation Committee short listed three firms for interviews with the Selection Advisory Committee (SAC) in January 2015**
- **SAC ranks Greeley & Hansen (G & H) first**
- **City Council approved negotiating with G & H on February 9, 2015**

Engineering

- **Water – “Water First”**
- **Sewer – Estimate 26 Lift Stations and 2 Master Pump Stations**
- **Irrigation – 2 Canal Pump Stations, Tanks, ASR wells and /or inter-local connection agreements**
- **Storm Drain System and Pavement**

Schedule

- **North 2 UEP**
 - Planning, Design and Permitting – 2014/2015
 - Bidding and Start Construction – 2016
 - Complete Construction – End of 2017
- **North 1 UEP**
 - Planning, Design and Permitting – 2016/2017
 - Bidding and Start Construction – 2018
 - Complete Construction – End of 2019

Financing

- **DEP State Revolving Fund (SRF) Loan**
 - **Clean Water (CW) - Wastewater and Irrigation**
 - **Drinking Water (DW) - Potable Water**
 - **Currently 2% to 3% Interest Rate**
- **Assessment Bond - Currently near 5%**
- **SFWMD Alternative Water Supply Grants?**
- **Combination of SRF Loan, Assessment Bond and/or Short Term Financing**

Future Council Meetings

- **March/April – Resolution approving engineering fee**
- **Assessment Methodology**
- **Initial Assessment Resolutions**
- **Final Assessment Resolutions**

North 2 Update



Questions

Item Number:	B.(2)
Meeting Date:	3/4/2015
Item Type:	DISCUSSION

AGENDA REQUEST FORM
CITY OF CAPE CORAL



TITLE:

Presentation on Electric Service by LCEC

REQUESTED ACTION:

STRATEGIC PLAN INFO:

1. Will this action result in a Budget Amendment?
2. Is this a Strategic Decision?
 - If Yes, Priority Goals Supported are listed below.
 - If No, will it harm the intent or success of the Strategic Plan?

Planning & Zoning Recommendations:

SUMMARY EXPLANATION AND BACKGROUND:

LEGAL REVIEW:

EXHIBITS:

PREPARED BY:

Division- Department-

SOURCE OF ADDITIONAL INFORMATION:

ATTACHMENTS:

Description	Type
<input type="checkbox"/> LCEC Presentation to Cape Coral COW 03-04-2015	Presentation

The Future of Electric Service in Cape Coral

March 4, 2015



Dennie Hamilton
Executive Vice President
and Chief Executive Officer

Our Situation

- Municipalization is not risk-free – alleged gains can easily become major losses.
- Cape Coral is not Winter Park
 - Many times the size
 - Many times the cost
 - Many times the risk
- LCEC is not Progress Energy Florida
 - Not-for-profit
 - Strong reliability
 - Excellent rate/customer service history

Our Approach

- Focus on reliable electricity, quality customer service and the lowest reasonably achievable rates
- Have served Cape Coral for almost 60 years
- Serve as a not-for-profit corporation
- Have distributed over \$220 million to members

Committed to our partnership with the City
and to working in the spirit of partnership
throughout this process.



Forming an Electric Utility

History and Key Issues

Bob Bellemare, PE, CBA, CVA
COO, Mykrobel LLC

O: 505.359.2340

C: 505.235.6102

rbell@mykrobel.com

March 4, 2015

Background

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- ➡ I am a consultant to LCEC but my comments today are my own and I am not providing a financial valuation of LCEC's business.
- ➡ The critiques in this presentation are not exhaustive and are preliminary. The information in this presentation is based on the cash flow statement released by Cape Coral and representations made by Cape Coral in documents available at http://www.capecoral.net/departments/clerk/agendas_and_videos.php

Credentials

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*"You're talking about that \$3.8 million like it's money in the bank," said its consultant, Bob Bellemare. **"You could be \$11 million in the hole."** City [Winter Park] Looks at Power Play," Orlando Sentinel, June 10, 2001*

***"The utility [Winter Park] is now \$11.6 million in the red"** Orlando Sentinel, May 8, 2009*

- Professional Engineer (PE), Certified Business Appraiser (CBA), Certified Valuation Analyst (CVA)
- Involved in most major municipalization cases in past 15 years, and over \$1 billion in industry transactions (voluntary and contested)
- Expert witness on separation and valuation
- Over 25 years experience in the electric utility industry

Topics

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➡ History

➡ Challenges to Forming a New Utility

➡ 2015 Cape Coral Study Observations

➡ Sensitivity Analysis

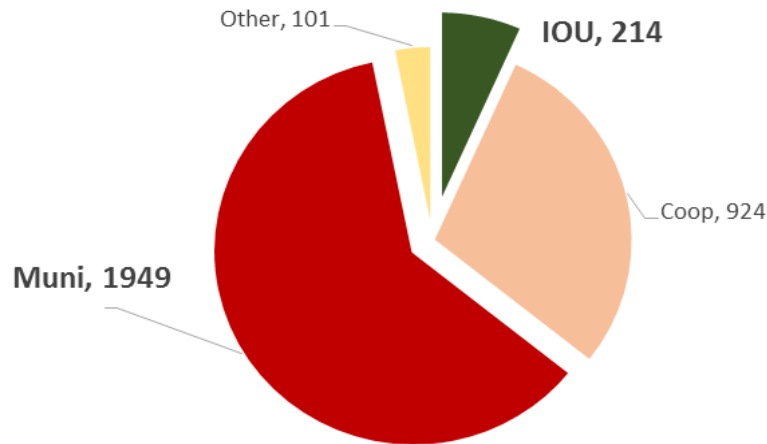
Electric Utility History

- Most of the 3000+ electric utilities were formed in early to mid 1900's
- Only 85 formed in the past 40 years, most are small in size and involved new communities/customers or voluntary sales
- 6 were “contested,” 4 were to gain access to hydro
- **Municipalization of an existing utility is extremely rare and efforts are largely unsuccessful**

US Electric Utility Industry Structure

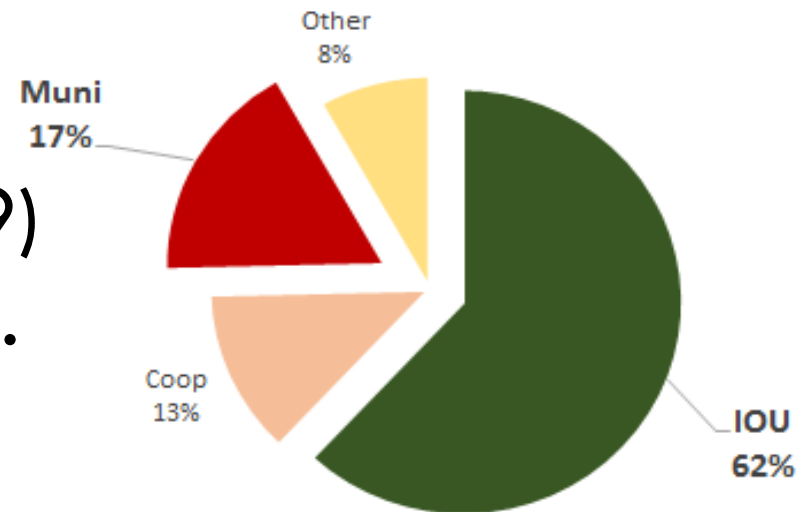
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Number of US electric utilities.



➡ IOU: few in number (214) but large in size (62% of U.S. sales)

US electric utilities kWh sales.



➡ Muni: large in number (1,949) but small in size (17% of U.S. sales)

➡ Nearly all formed Pre-WWII

Source: EIA (Department of Energy) data.

Utility Formation History

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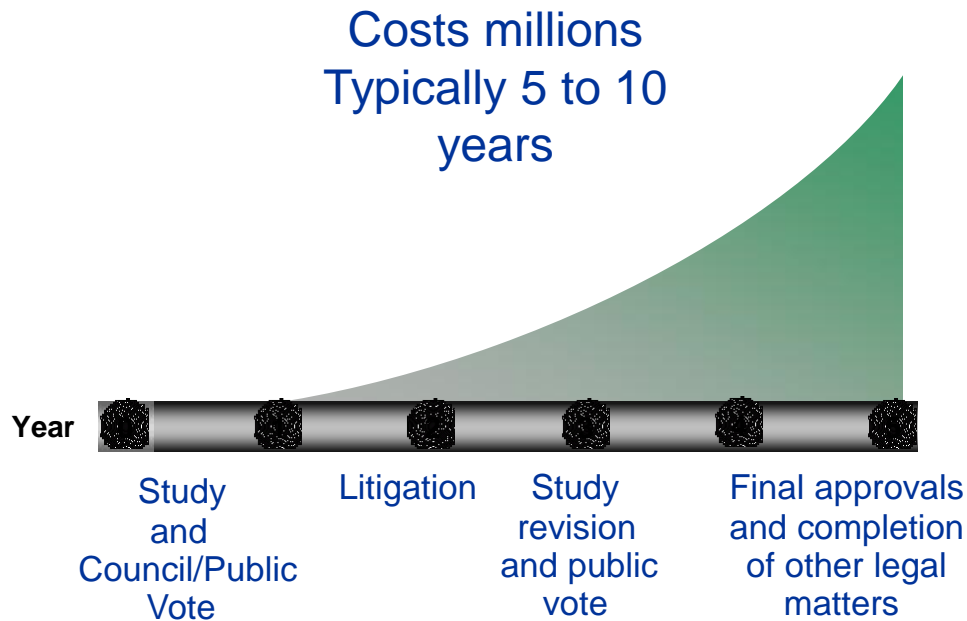
New Utility Formed	Customers	ST	Year
City of Atka	42	AK	2008
City of Galena	335	AK	1985
Ipnatchiaq Electric Company	67	AK	1984
Larsen Bay Utility Company	86	AK	1984
Kwig Power Company	111	AK	1983
St Paul Municipal Electric Utility	231	AK	1983
City of Thorne Bay Utilities	261	AK	1983
Akutan Electric Utility	65	AK	1982
City of Kotlik	176	AK	1982
City of White Mountain	101	AK	1982
City of Chignik	87	AK	1981
Tatitlek Electric Authority	55	AK	1978
Tlingit Haida Regional Electric Auth	1268	AK	1977
Monokotak, City of	136	AK	1976
North Slope Borough Dept. of Mur	1180	AK	1975

New Utility Formed	Customers	ST	Year
Long Island Power Authority	1,090,538	NY	1998
Markham Hydro Distribution, Inc.	62,126	ON	1979
City of San Marcos Electric Utility D	20,320	TX	1986
Kerrville Public Utility Board	20,157	TX	1987
Emerald People's Utility District	18,104	OR	1983
Jefferson County	17,500	WA	2013
Columbia River People's Utility Dis	17,347	OR	1984
Winter Park	13,750	FL	2005
Lassen Municipal Utility District	12,059	CA	1988
Massena Electric Department	9,406	NY	1981
Trinity County Public Utility District	6,797	CA	1982
City of Washington	5,750	UT	1988
Hurricane Power Committee	5,229	UT	1975

- ➡ Only 85 electric utilities formed in past 40 years
- ➡ Most voluntary sales or new communities (AK is 15 of the 85)
- ➡ Only 6 involved a contested process, 4 of which were hydro power
- ➡ Typically very small (average of about 3,300 customers excluding LIPA)
- ➡ 2 new utilities formed in past decade by purchasing an existing system

Formation of a New Utility

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➡ Normally takes 5 to 10 years

➡ Key issues to resolve

- ◆ Public votes
- ◆ What assets are being purchased?
- ◆ How will system be separated?
- ◆ What is business value?
- ◆ Compensation for stranded cost and other damages
- ◆ Generation supply
- ◆ Operations/Startup
- ◆ What is the appetite for risk?

Recent Examples

	Jefferson Co, WA	South Daytona, FL	Winter Park, FL	Hercules, CA	Philadelphia, PA	Vero Beach, FL
Customers	18,000	7,800	13,000	825	500,000	34,000
Completed	5 years (2013)	never formed after 5 years of effort	5 years (2005)	sold to PG&E (2002- 2014)	Not yet	Not yet
Formation Cost	\$120 million	\$2.3 million spent on failed effort	\$52.6 million			
Vs. Estimates	Double	2-3 times more	2-3 times more	Never profitable		
Losses	TBD	Lost vote by nearly 2:1 margin	\$11 million in first few years	\$4-\$9 million		
Rates	Struggling to match PSE rates		State average	30% higher than PG&E		30% higher than FPL

ptleader.com

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LETTER: Did we buy the Brooklyn Bridge?

Story

Comments (2)

P

Posted: Wednesday, March 26, 2014 3:30 am

Hercules: Sale of municipal utility ends multimillion-dollar fiasco

By Tom Lochner *Contra Costa Times*

POSTED: 04/17/2014 06:28:17 AM PDT | UPDATED: ABOUT A MONTH AGO

A Costly Process

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Boulder, CO Direct Cost 2011- 2014

Direct Expenditures (Consultants, attorneys, direct staff)

2014 expenditures/direct costs	\$2,312,000
2013 expenditures/direct costs	\$2,512,615
2012 expenditures/direct costs	\$1,033,610
2011 expenditures	\$ 830,000
Total Direct Expenditures:	\$6,730,161

Shared City Resources (2012-2014 estimate): \$1,777,303

\$ 8,507,464

<http://www.bcbr.com/article/20140117/INDUSTRY14/140119916/0/SEARCH>

http://www.denverpost.com/business/ci_18445005/country-watches-as-boulder-considers-forming-own-electric-utility

http://www.dailycamera.com/ci_23368928/critics-boulder-using-tax-dollars-promote-municipalization

Common Problems with Pro-Municipalization Studies

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➡ Underestimate:

- ❖ power generation cost
- ❖ acquisition cost (stranded cost, going concern, separation, other)

➡ Overestimate incumbent utility's rate growth

Community	Study	Result
Jefferson County, WA	\$45 - \$65 million	Over \$100 million
South Daytona, FL	Under \$5 million	Over \$12 million
Winter Park, FL	Over \$2 million annual profits	Loss of \$11.6 million in first 4 years, Credit Watch Negative
Las Cruces, NM	Under \$26 million	Over \$100 million

Fitch Ratings “***does not anticipate a material increase in the number of municipalities attempting to purchase an investor-owned utility (IOUs)***” March 15, 2013

Winter Park: More than just bumps in the road...

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“Over recent years, the funding required to acquire the electric distribution system as well as hurricane recovery costs not reimbursed by federal and state agencies have depleted the City’s General Fund Balance.” - Winter Park 2007 Budget Report

One of the reasons the system was acquired was to improve the reliability of the system. That cost money," finance director Wes Hamil said. ***"The electric utility spent money it didn't have. . . . We've got to get the other funds paid back from what was borrowed."*** - Orlando Sentinel, April 7, 2009

“The utility [Winter Park] is now \$11.6 million in the red” - Orlando Sentinel, May 8, 2009

“The Negative Outlook reflects Fitch's ongoing credit concerns regarding the recent decline in financial performance and limited liquidity levels for the electric utility.”
Fitch, June 9, 2009

Cape Coral Consultant's Analysis

- Half of forecasted economic benefits would not occur until after 20 years
- Just a 1 to 2% change in cost assumptions turns 20-year cash flow Net Present Value red
- Number of over optimistic assumptions
- Relatively minor changes in assumptions results in nearly \$500 million in present value losses

What is Terminal Value?

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- ➡ Terminal value is an estimate of the value of future cash flows after a study period, in this case after 20 years
- ➡ Nearly \$200 million in terminal value after 20 years in the future being used by city consultant
- ➡ **More than half of the potential Net Present Value benefits are after 2036**

Cash Inflows		2017	2018	2019	2020	2021	2022
Annual System Requirement at Cape Coral Delivery Points		1,708,218,416	1,729,628,416	1,751,306,760	1,773,256,809	1,795,481,970	1,817,985,690
System Peak Demand kw		367,928	372,540	377,209	381,937	386,724	391,571
Distribution Losses kw-hr		67,673,595	68,521,783	69,380,603	70,250,187	71,130,669	72,022,187
Number Retail Customers		91,058	92,568	94,103	95,664	97,250	98,863
Retail Sales kw-hr		1,640,544,821	1,661,106,633	1,681,926,157	1,703,006,622	1,724,351,301	1,745,963,503
Electric Revenue per MW-hr sold		\$ 126.60	\$ 129.51	\$ 132.49	\$ 135.54	\$ 138.65	\$ 141.84
Retail Sales Revenue		\$ 207,692,189	\$ 215,132,096	\$ 222,838,515	\$ 230,820,991	\$ 239,089,414	\$ 247,654,026
Franchise Fees and Public Services Taxes Equiv		\$ 13,292,300	\$ 13,768,454	\$ 14,261,665	\$ 14,772,543	\$ 15,301,722	\$ 15,849,858
Total Cash Inflows		\$ 220,984,489	\$ 228,900,551	\$ 237,100,180	\$ 245,593,534	\$ 254,391,136	\$ 263,503,884
Annual Energy Requirement kw-hr		1,708,218,416	1,729,628,416	1,751,306,760	1,773,256,809	1,795,481,970	1,817,985,690
Total Cost Bulk Power Supply (including transmission)		\$ 116,269,945	\$ 120,882,306	\$ 125,677,637	\$ 130,663,195	\$ 135,846,528	\$ 141,235,481
Distribution O&M Expense		\$ 17,678,926	\$ 17,653,775	\$ 17,595,336	\$ 17,500,857	\$ 17,367,413	\$ 18,096,736
Customer Service and A&G Expenses		\$ 29,918,183	\$ 29,875,620	\$ 29,776,723	\$ 29,616,835	\$ 29,391,007	\$ 30,625,246
Annual Capital Outlays		\$ 12,817,454	\$ 13,355,707	\$ 13,916,563	\$ 14,500,972	\$ 15,109,922	\$ 15,744,444
Debt Service		\$ 29,242,291	\$ 29,242,291	\$ 29,242,291	\$ 29,242,291	\$ 29,242,291	\$ 29,242,291
General Fund Transfer (Franchise Fees & Utility Tax)		\$ 13,292,300	\$ 13,768,454	\$ 14,261,665	\$ 14,772,543	\$ 15,301,722	\$ 15,849,858
Pre-operational cash outlays	\$ (27,420,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cash Outlays	\$ 27,420,000	\$ 219,219,099	\$ 224,778,153	\$ 230,470,214	\$ 236,296,693	\$ 242,258,883	\$ 250,794,054
Net Cash Flow	(27,420,000)	\$ 1,765,390	\$ 4,122,398	\$ 6,629,965	\$ 9,296,842	\$ 12,132,253	\$ 12,709,830
Electric Utility Fund Cash Balance EOY	\$ 29,530,000	\$ 31,295,390	\$ 35,417,788	\$ 42,047,754	\$ 51,344,595	\$ 63,476,848	\$ 76,186,678
Cash Flow for IRR calculations	\$ (425,000,000)	\$ 31,007,681	\$ 33,364,688	\$ 35,872,256	\$ 38,539,132	\$ 41,374,544	\$ 41,952,120
Debt Service Coverage Ratio (if red it is insufficient)		1.51	1.61	1.71	1.82	1.94	1.98
Days of reserves (if red it is insufficient)		69.7	76.8	88.7	105.4	126.9	146.4
Cost Bulk Power Supply (inclg transmission) \$/MW-hr		\$ 68.07	\$ 69.89	\$ 71.76	\$ 73.69	\$ 75.66	\$ 77.69

Replicated Model

City Consultant's Model

With Terminal Value
Internal Rate of Return
NPV @ 5.5 % Discount Rate
NPV @ 6.5% Discount Rat

8.35%
\$124,337,303
\$74,246,285

8.35%
\$124,337,088
\$74,246,097

20 year Calculations, no terminal value

IRR 7.31%
NPV @ 5.5 % discount rate \$ 67,390,181
NPV @ 6.5 % discount rate \$ 27,972,554

Results replicate city consultant's model

Cape Coral's Consultant Study Observations

20

	20 Year Present Value (\$ Million)	20 Year Revenue Forecast (\$ Million)	City's Consultant 20 Year Forecast (% Savings)
NPV @ 5.5%	\$ 67	\$ 3,539	1.89%
NPV @ 6.5%	\$ 28	\$ 3,228	0.87%

- ➡ NPV drops from \$124 million to \$67 million when terminal value is removed
- ➡ Present Value of 20 years of revenues is \$3.5 billion
- ➡ City's consultant study is forecasting less than 2% savings over 20 years

Just 2% change in cost estimates makes 20-year forecast red

Incorporating Lost Co-op Member Benefits

21

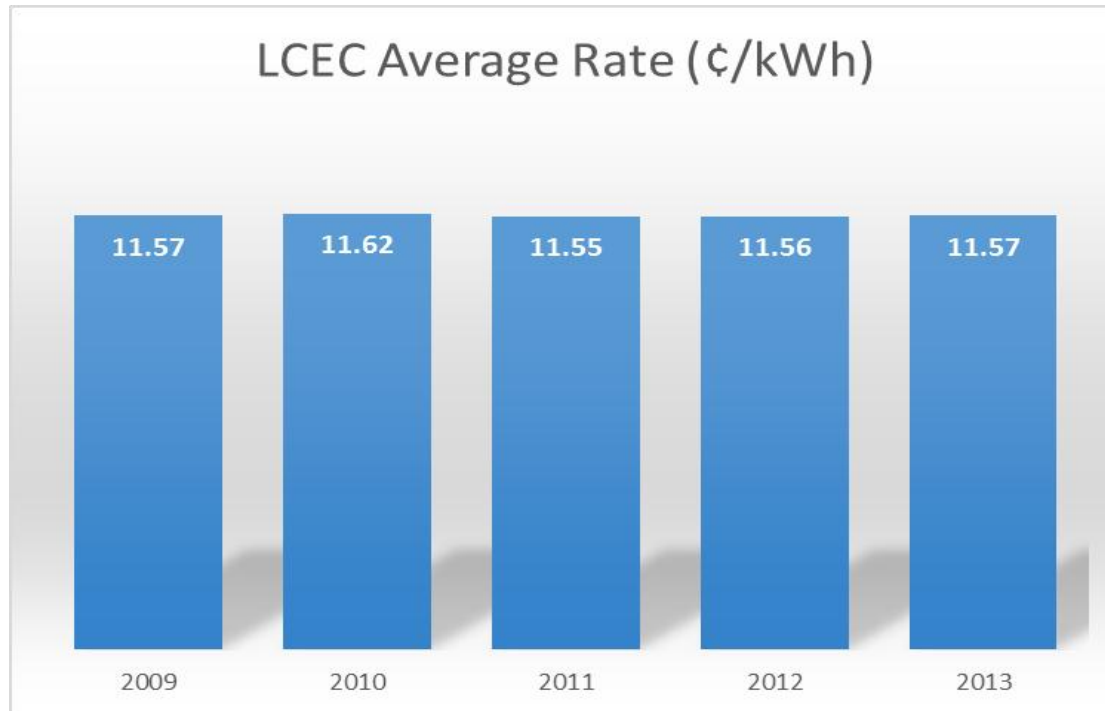
- ➡ City's consultant treated loss of co-op member benefit as a change from base case
- ➡ Should be part of base case
- ➡ City's consultant assumed a 1.3% of revenue credit

When lost co-op member benefits incorporated, less than a 1 % change in cost estimates makes 20-year financial forecast turn red

Any one of the following factors turns financial forecast red - RATES

22

➡ 2.05% annual rate increase instead of 2.3%



Source: LCEC annual reports

***LCEC average rate is unchanged from 2009-2013
and decreased in 2014/2015***

Any one of the following factors turns financial forecast red - WHOLESALE

23

- ➡ An increase of just 0.26 cents/kWh (3.7%) in the assumed price of power generation
- ➡ 7.06 cents/kWh instead of 6.8 cents/kWh in 2017



LCEC average cost of power generation is about 7.4 ¢/kWh

Any one of the following factors turns financial forecast red – BOND

24

Winter Park's Bond Issuance Expected Sources and Uses of the Proceeds of the Series 2005 and the BAN

	Amount <u>(\$000)</u>
Direct Costs ^[1]	
Distribution Equipment (Fair Market Value) ^[2]	\$8,219
Real Estate and Easements ^[2]	10,000
Books, Maps and Manuals ^{[2][3]}	350
Going Concern Value ^[2]	12,000
Separation and Integration ^{[2][3]}	2,015
Stranded Costs ^{[2][4]}	7,689
Substation Construction ^[5]	5,033
Construction Work in Progress performed by Progress Energy ^[6]	2,800
Transitional Costs ^[7]	1,324
Initial Operating Costs	1,152
Additional Capital Projects	<u>1,973</u>
Total Direct Costs	\$52,555

Winter Park: \$19.7 million of \$53 million for going concern and stranded cost (37% of bond amount)

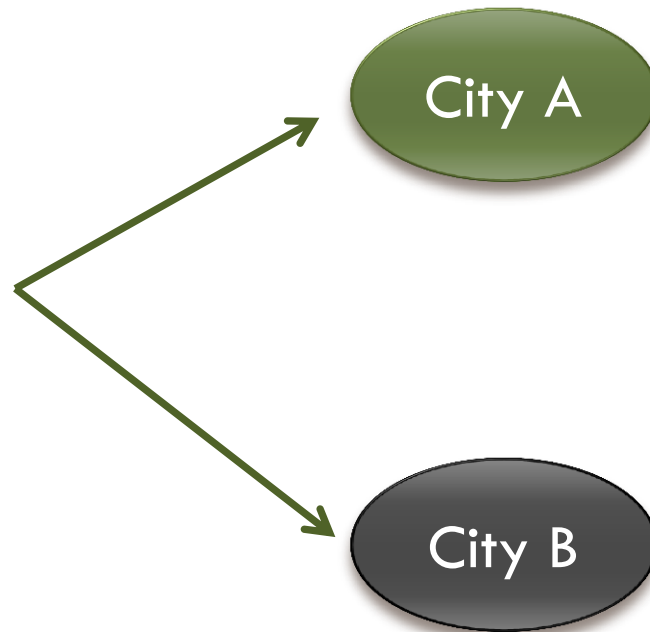
Ratio to Cape Coral would add about \$150 million to cost to form a utility

If utility formation cost rises over \$500 million financial forecast goes red.

Cape Coral's consultants have not included any compensation for these major items

Stranded Cost/Economic Damage Concept

25



- City A leaves, who picks up cost for power plant?
- Ensure City B customers are held financially harmless

Sensitivity Example

26

➡ Bonded amount: \$550 million

➡ Power Supply: \$7.4 cents/kWh

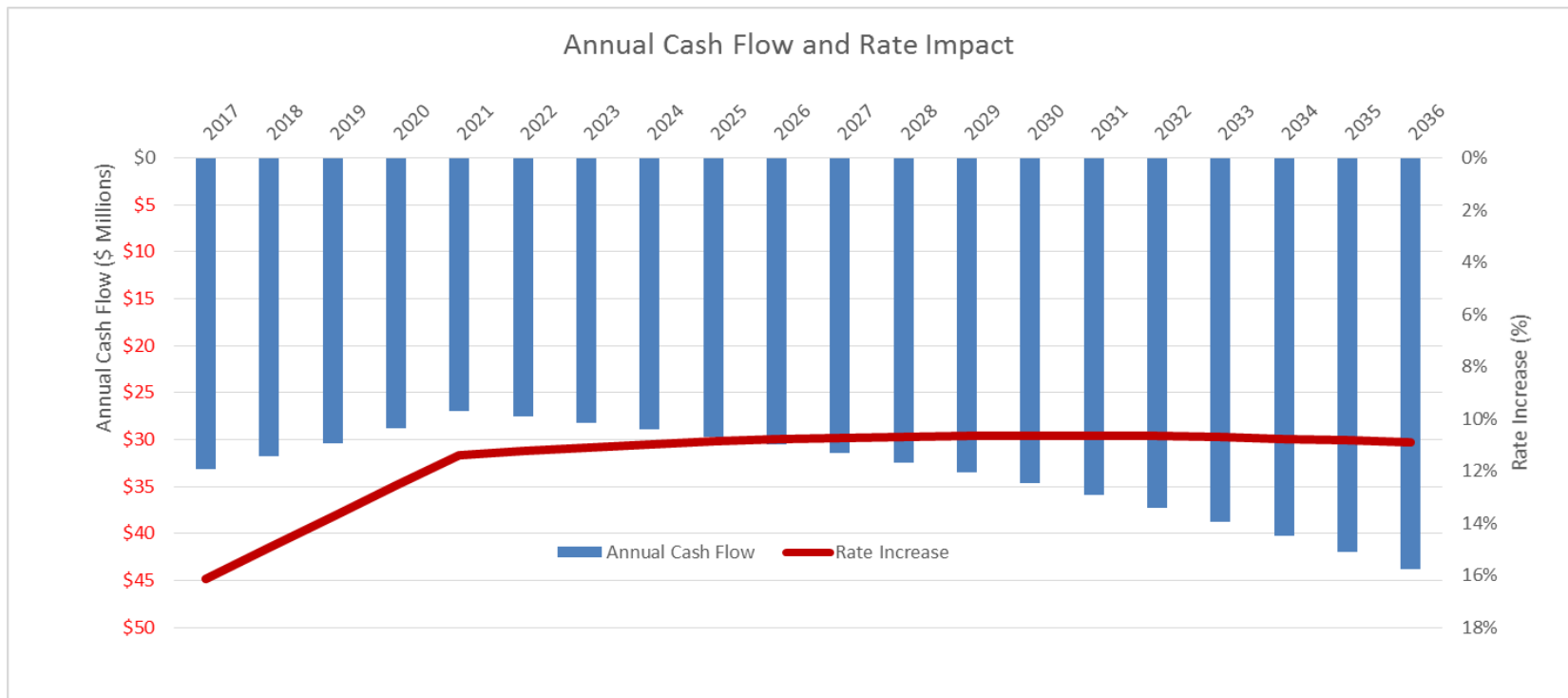
➡ Retail/Power Supply rate growth 2013-2017: 0.5%

Cash Inflows	2017	2018	2019	2020	2021	2022
Annual System Requirement at Cape Coral Delivery Points	1,708,218,416	1,729,628,416	1,751,306,760	1,773,256,809	1,795,481,970	1,817,985,690
System Peak Demand kw	367,928	372,540	377,209	381,937	386,724	391,571
Distribution Losses kw-hr	67,673,595	68,521,783	69,380,603	70,250,187	71,130,669	72,022,187
Number Retail Customers	91,058	92,568	94,103	95,664	97,250	98,863
Retail Sales kw-hr	1,640,544,821	1,661,106,633	1,681,926,157	1,703,006,622	1,724,351,301	1,745,963,503
Electric Revenue per MW-hr sold	\$ 117.92	\$ 120.63	\$ 123.41	\$ 126.25	\$ 129.15	\$ 132.12
Retail Sales Revenue	\$ 193,455,854	\$ 200,385,790	\$ 207,563,969	\$ 214,999,284	\$ 222,700,945	\$ 230,678,493
Franchise Fees and Public Services Taxes Equiv	\$ 12,381,175	\$ 12,824,691	\$ 13,284,094	\$ 13,759,954	\$ 14,252,860	\$ 14,763,424
Total Cash Inflows	\$ 205,837,028	\$ 213,210,481	\$ 220,848,063	\$ 228,759,238	\$ 236,953,805	\$ 245,441,916
Annual Energy Requirement kw-hr	1,708,218,416	1,729,628,416	1,751,306,760	1,773,256,809	1,795,481,970	1,817,985,690
Cost Bulk Power Supply (inclgd transmission) \$/MW-hr	\$ 75.17	\$ 77.18	\$ 79.25	\$ 81.37	\$ 83.55	\$ 85.79
Total Cost Bulk Power Supply (including transmission)	\$ 128,400,480	\$ 133,494,052	\$ 138,789,684	\$ 144,295,389	\$ 150,019,504	\$ 155,970,690
Distribution O&M Expense	\$ 17,678,926	\$ 17,653,775	\$ 17,595,336	\$ 17,500,857	\$ 17,367,413	\$ 18,096,736
Customer Service and A&G Expenses	\$ 29,918,183	\$ 29,875,620	\$ 29,776,723	\$ 29,616,835	\$ 29,391,007	\$ 30,625,246
Annual Capital Outlays	\$ 12,817,454	\$ 13,355,707	\$ 13,916,563	\$ 14,500,972	\$ 15,109,922	\$ 15,744,444
Debt Service	\$ 37,842,964	\$ 37,842,964	\$ 37,842,964	\$ 37,842,964	\$ 37,842,964	\$ 37,842,964
General Fund Transfer (Franchise Fees & Utility Tax)	\$ 12,381,175	\$ 12,824,691	\$ 13,284,094	\$ 13,759,954	\$ 14,252,860	\$ 14,763,424
Pre-operational cash outlays	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Cash Outlays	\$ 239,039,182	\$ 245,046,809	\$ 251,205,364	\$ 257,516,972	\$ 263,983,670	\$ 273,043,503
Net Cash Flow	(\$33,202,154)	(\$31,836,329)	(\$30,357,301)	(\$28,757,733)	(\$27,029,865)	(\$27,601,587)
Required Rate Increase	16%	15%	14%	13%	11%	11%

Sensitivity Analysis Results

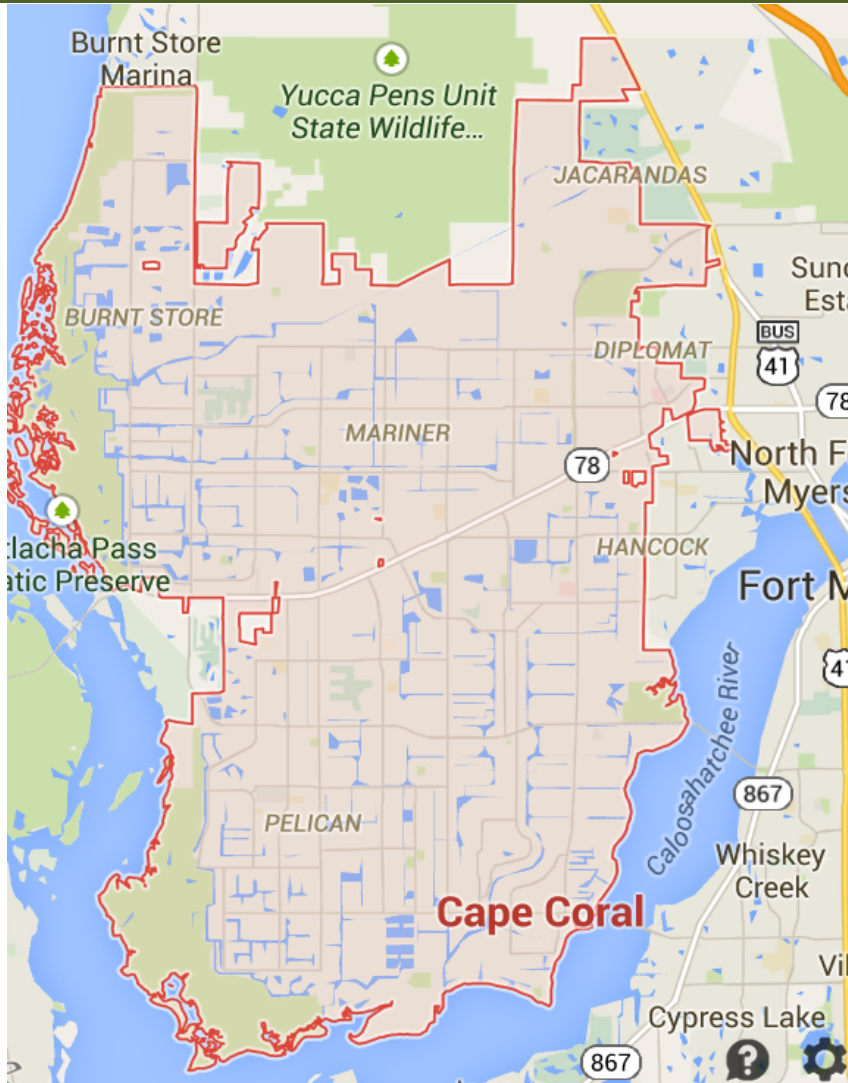
27

- ➡ Require rate increase of 11 to 16%
- ➡ NEGATIVE \$450 million in 20-year net present value losses
- ➡ NEGATIVE IRR of over -20%



Separation Challenges

28

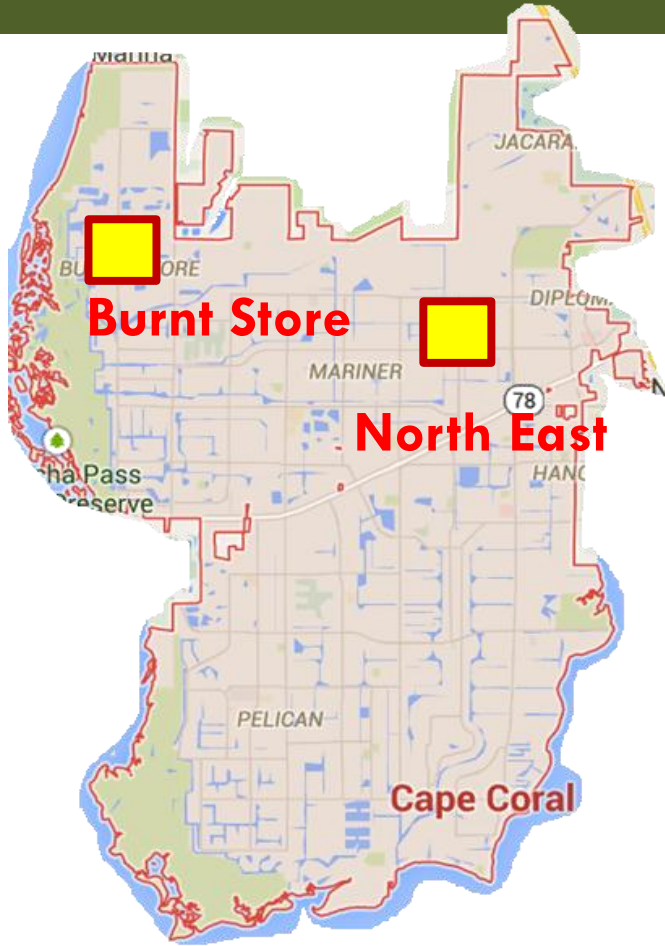


Challenges:

- ➡ Enclaves
- ➡ Power system is currently integrated with system outside the city
- ➡ Transmission line and substation ownership

City's Consultant Plan

29



- Go from 14 substations today to purchasing low-voltage (LV) side of 6, reconfiguring 2, and building 2 new substations
 - ◆ Burnt Store
 - ◆ North East
- Consultant's budget: \$9 million
- Separate distribution at city limits
- LCEC retains transmission, high voltage side of substations

South Daytona was required to buy all transmission assets and entire substation within city limits

Conclusions

30

- Just 2% change in annual cost assumptions cause financial results to turn negative, and we've identified cost assumptions that would likely be much more than 2%
- Modest changes in assumptions results in substantial financial losses approaching \$500 million
- Terminal value (after year 20) is about half the forecasted benefits in city consultant's report
- Much higher hurdle rate for something this risky is needed compared to around 8% used in the study
- An IRR of 7.3% over 20 years for all the risk involved is not compelling
- Many technical and compensation issues to be resolved, including separation, stranded cost, and going concern

The Future of Electric Service in Cape Coral

March 4, 2015



Dennie Hamilton
Executive Vice President
and Chief Executive Officer

Select Uncertainties and Risks

- Ownership of transmission assets
- Questionable separation and reintegration costs
- Unaddressed wholesale power stranded costs
- Going-concern value and damages to the remainder of LCEC customers
- Unrealistic wholesale power cost assumptions
- Underlying 20-year annual City electric rate increases

The renegotiation of a long-term
franchise agreement is in the
best interests of everyone involved.

LCEC in Cape Coral

- An integral part of the community for almost 60 years
- Employees who live here, work here and play here
- Strong supporter of community activities whether financially or through volunteering
- Good corporate citizen, a part of the local business community
- Good electric reliability, customer service and rates, but always looking for ways to improve
- Appreciative of opportunity and obligation associated with serving the City

