



Memorandum

September 7, 2011

To: Mayor Jay Kramer
Vice Mayor Pilar Turner
Councilmember Tracy Carroll
Councilmember Craig Fletcher
Councilmember Brian Heady

From: Barry Moline, Executive Director

Subject: Possibility of Dropping Out of FMEA

At your September 6, 2011, City Council meeting, Stephen Faherty, in his comments to you at the beginning of the meeting, requested that you drop out of our statewide trade association. In the discussion, Councilmembers indicated that they would like to address the issue at the Thursday, September 8 budget meeting.

I would like to briefly inform you about FMEA before you consider this proposal.

Mutual Aid: There has been a lot of talk about the importance of membership in FMEA because of the mutual aid service we offer. Yes, this is a vital member benefit, where we immediately connect lineworkers and equipment to utilities in-need after storms, whether it's hurricanes, thunderstorms or tornados, which can happen at any time during the year. Our process works extremely well, and **FMEA members receive priority status for hurricane restoration.** Right now we have four FMEA members assisting utilities in the northeast in the aftermath of Hurricane Irene. In the past, out-of-state utilities have traveled to Florida, including to Vero Beach, to assist us. FMEA has the state and national network to bring large-scale human and technical resources to get hurricane restoration moving quickly. Without this service, you are effectively putting your customers in harm's way, leaving them without electric service for a longer period in a time of crisis.

There are several other important services FMEA provides you. I highlight them below:

Legislative Representation: We are your utility lobbyists in Tallahassee. We have been extremely active, specifically representing the City of Vero Beach the last four years as Representatives Mayfield, first Stan and then Debbie, sought to impose full rate regulation by the Public Service Commission upon the City of Vero Beach. This would

have added significant costs to the City of Vero Beach, in the range of \$150,000 to \$500,000 per year, depending on the number of issues you would need to defend yourself before the PSC. Those costs would be spent to pay for PSC regulation in the first place (they require a “user fee” to pay their agency salaries and operating expenses), and also to pay for independent lawyers to defend the City in front of the PSC. One such lawyer is currently under contract by the City, I believe, to address Stephen Faherty’s issue at the PSC regarding a dispute he has filed.

During the past four years our “opponent” in Vero Beach was Stephen Faherty, who urged the Mayfields to file and pass bills to regulate the City. Every member of the City Council before you instructed FMEA to oppose this legislation. We never fought the City on this matter. In fact, City Councilmembers traveled to Tallahassee regularly to lobby and testify in opposition to these expensive PSC regulation proposals. Those Councilmembers instructed FMEA to fight vigorously on their behalf. We fought and together, we won. Other FMEA utility members also fought on your behalf. I’m not sure why anyone believes that we are working against the City in Vero Beach in Tallahassee. It’s possible that Stephen Faherty might be confused that fighting *his proposal* to impose PSC regulation on the City meant we were fighting the City. Not so. Our efforts were in sync with previous City Councils, and we lobbied in opposition to those proposals.

Free Training: FMEA offers members two types of free training. We provide a suite of about 100 online training classes available to every single employee of your City. A list is attached. This is a tremendous benefit, allowing your employees to expand their knowledge on a variety of technical topics, and improve their office skills, while sitting at their computers. We also offer free in-person training. A summary of those courses is also attached. I met with City Manager Jim O’Conner recently in Vero Beach and presented this information to him, encouraging him to take advantage of these free services.

Networking with Utilities: No one knows everything, and FMEA is your resource to connect with utilities outside Vero Beach on important issues such as working safely, improving customer service, understanding environmental regulations, lineworker training, and just about every single aspect of electric utility operations. We offer a variety of convenient conferences and workshops that offer you state of the art information for staff and elected officials.

Publications: While I realize this may be the least of your concerns at this moment, we also offer several free publications where we keep you up to date on utility operations, legislative and regulatory issues across the board.

Attached is a list of FMEA services available to you.

I hope this clarifies some of the benefits of FMEA. If the City of Vero Beach were to drop out of FMEA, you would be the only municipal electric utility of the 34 in Florida to do so.

I am available to discuss any of these issues on the phone or in person in Vero Beach.

Please contact me at:

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Benefits of Membership Florida Municipal Electric Association

Below are services FMEA provides to members that have a direct impact on improving utility operations.

Emergency Assistance/Mutual Aid

FMEA staff is available 24/7 to coordinate sharing of utility workers in an emergency. In an emergency, we arrange for lineworkers, engineers and other staff to travel to your community and assist with power restoration. We work with sister utilities across Florida, the Southeast and across the United States. As an FMEA member, you have highest priority for receiving utility staff assistance with only a moment's notice.

Legislative & Regulatory

FMEA monitors the activities of the Florida Public Service Commission, which is continuously "interested" in the operations of electric utilities statewide, and at times fully regulates all utilities, depending on the issue. Here are some recent actions we have taken with the FPSC and legislature:

1. We successfully fought off the FPSC's effort to regulate municipal electric utilities storm hardening actions. Instead of the FPSC unnecessarily regulating municipal electric utilities, we agreed to annually report our storm hardening activities every April 1. FMEA developed the reporting template, and reviews member reports annually before they are submitted to the FPSC. As a result, FMEA members actions to achieve high reliability and fast storm recovery is either consistent and in many cases far beyond the FPSC-regulated investor-owned utilities.

2. Assuring that state criteria for rules on investing in renewable energy, energy efficiency and climate change measures are based on sound economic analysis. Every legislative session we regularly see about 10 bills mandating utility investments in renewable energy and energy efficiency. FMEA weighs in on these debates – not to kill the proposals – but rather, to make sure that they are based on economic analysis that clarifies the impact on customers' bills. If the legislature is going to impose new regulation that raises or lowers customers' bills, then we inform them before action is taken. FMEA's input has put a stop to several proposals, and gotten municipal electric utilities out of other bills that would unnecessarily raise rates.

3. Renewable energy and energy efficiency reporting to the FPSC. In 2008, the Florida legislature passed an energy bill that requires the FPSC to implement a renewable portfolio standard for investor-owned utilities. FMEA was successful at keeping this legislation from being imposed on municipal electric utilities. Instead, we agreed to report, each April 1, on the status of our renewable energy and energy efficiency programs. FMEA assists members with the reporting requirement, which is due April 1 of each year.

4. Net metering reporting to the FPSC. Another proposal the 2008 Florida legislature passed in their energy bill requires the FPSC to implement a net metering requirement for investor-owned utilities. IOUs will have to pay customers who install renewable energy projects based on the kWh those projects produce. FMEA was successful at keeping the legislature from imposing the same regulations on our members, and agreed to report to the FPSC each April the status of the number of customers that have signed up for renewable energy payments under local net metering rules that each FMEA member develops and is approved by its local governing board.

5. FMEA has been successful at keeping the Legislature from imposing FPSC regulation on members. Occasionally, legislators have sought to have the FPSC regulate public power utilities. FMEA has opposed these proposals. Being regulated by the FPSC would require a significant investment in additional legal fees, as EVERY action taken by the FPSC would have to be monitored and possibly acted upon. Furthermore, such regulation would take governing board authority away from local elected and appointed officials. The additional cost is in the range of \$500,000 to \$1,000,000 per year. Municipal electric utilities are rate regulated at the local level, where they are closest to their customers.

6. FMEA is assisting all members to comply with the Federal Identity Theft Red Flag Ruling. Federal regulation requires every organization that holds customer data to have a plan, in place, to protect that information. FMEA works with members to comply and remain in compliance with developing and implementing an Identity Theft Plan. In addition, FMEA can provide FTC mandatory staff training on Red Flags Rules.

7. Legislative and regulatory updates. FMEA provides regular updates on the plans, actions and strategies of the Florida Legislature, state agencies and Congress as they consider actions that might impact the operations and costs of municipal electric utilities.

8. FPSC request for rate information. Recently the FPSC has requested that every FMEA member send to them information whenever their rates change. However, because FMEA already produces a **monthly Rate Report** for comparison, the FPSC has agreed that our report be sufficient for their monthly reporting purposes. Thus, FMEA avoided the added bureaucracy of having to supply rate information to two places simultaneously.

9. FPSC Rate Tariff Filing. When base rates change, utilities are required to file new tariff sheets with the FPSC. FMEA works with each member to correctly report this information to the FPSC.

Information & Networking

1. Question and Answer Service. FMEA offers a service available to all members where anyone can easily survey other members to learn about something that is impacting their community. For example, just within the past year we have sought out information on the following topics: How fuel adjustments are authorized by the local governing body,

Reserve Policies, Searches for a rate consultant, Communications taxation, Customer shut-offs, Tree trimming budgets, and Check processing procedures.

2. Networking with other FMEA members. FMEA is a wealth of information about communicating with other municipal electric utilities in Florida and around the nation. Whatever issue your utility may be dealing with, if you want to find out how another utility is dealing with it, or has dealt with it, we can find out through our state and national networks.

3. FMEA's Monthly Rate Report. FMEA produces a monthly rate report for all members to compare rate information. It is widely used by members and is considered the primary resource for utility rate information statewide.

4. Public Relations. FMEA regularly sends out materials for members to use in local newspapers to communicate with the public. We provide members sample Op-Eds to use in local papers to discuss important issues of the day. Furthermore, we regularly send out information on helping customers understand safety and electricity.

5. Publications. FMEA provides members a multitude of information on energy and electric utility information through weekly, monthly and quarterly publications that keep everyone abreast of legislative, regulatory and operations issues. FMEA's publications are widely read by FMEA members, legislators, regulatory agencies and policy-makers.

6. Safety and Training Committee. FMEA coordinates the Safety and Training Committee, which meets quarterly to share information on how to operate their utilities safely and current safety and training issues and developments in the electric utility industry. Committee members share and review in-house safety and training policies and practices. Discussions include improving the delivery of training programs, workplace accidents, accident prevention, ergonomics, safety education and illness prevention.

7. Customer Connections Committee. FMEA coordinates the Customer Connections Committee, which meets quarterly to share information on how to continuously improve customer service. Committee members work to improve relationships among the utility, its customers and the community in which it serves. Discussions include improving on the delivery of customer service, public communications, energy efficiency issues, billing applications, collections and new value-added service programs.

8. Renewables and Efficiency Committee. FMEA coordinates the Renewables and Efficiency Committee, which meets regularly to share information on effective programs to reduce customer demand, improve efficiency and expand generation with cost-effective renewable energy.

9. Engineering and Operations Committee. FMEA coordinates technical and engineering staff among our membership, keeping them up-to-date on proposed and new regulations and helping them share information on best practices for operating efficient operations.

10. Conferences and Training. FMEA offers excellent low-cost conferences and training around Florida at extremely low prices. These meetings deal with nearly every aspect of utility operations to help members stay abreast of new issues affecting the electric utility industry. The association offers an annual conference for elected officials and senior managers, a trade show and conference for staff in engineering, customer service and safety, a legislative rally, regular training and webinars on office skills and technical webinars on efficient and cost-saving operational issues.

11. Job Placement. FMEA offers free ads on our website for members to use to advertise job openings at their utilities.

12. Safety Newsletter. FMEA sends members, periodically, a safety newsletter for distribution to all employees that reminds everyone to work safely with informative articles.

13. In-House, In-Person Training. FMEA brings educational programs to member utilities. The training programs, taught in-person by senior FMEA staff, are tailored to the specific needs of the utility staff. The programs are provided at minimum cost compared to the high cost of outside training consultants. Current training programs include customer service, effective office communications, supervisory skills and red flag rules compliance training.

14. Online Training. FMEA is launching in 2011 a comprehensive online training service that is free to members. This service, Energy Management University, is free and unlimited to all FMEA utility members and their entire staff. The 120 course topics are comprehensive, and include Accounting and Finance, Electricity Basics, Customer and Member Service, Alternative Energy, Human Resources, Transmission and Distribution, Management and Supervision, Marketing, Electrical Utility Industry 101.