



Office of the Mayor

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December 29, 2017

Dear Concerned Citizen,

Shortly after I became your mayor, the Destin City Council was presented with a proposal to renew the city's Gulf Power franchise agreement; our previous 30-year agreement would expire in just a few days. I believed this needed much more study than it had been given so the council allowed me to work with Gulf Power on a two-year extension of the current agreement to fully investigate our options.

At that time, a quick look at residential electric rates on the Florida Public Service Commission's website revealed that Gulf Power is charging its residential customers more than the other large electric utilities in Florida. In fact, Gulf Powers is charging more than all but one of Florida's 34 municipal utilities and more than the majority of Florida's rural electric cooperatives, like CHELCO. Further study of readily available data shows that Gulf Power's rates are headed in the wrong direction – up significantly, not down – and that Destin citizens and businesses are paying millions of dollars per year more than if we were served by another utility such as Florida Power & Light Company, Tampa Electric Company or Duke Energy Florida. Over the life of Gulf Power's proposed 30-year franchise, these differences amount to somewhere between \$150 million and \$270 million of YOUR and OUR MONEY – the money of Destin residents and businesses – this is more than we should be paying for our electric service. I hope you agree this is too much. If we could entice an organization like Florida Power & Light Company to take over our service, even average or typical residential customers could save \$400 a year on their electric bill.

There are five investor-owned electric utilities in the State of Florida, 34 municipally-owned utilities and 16 rural electric cooperatives. All the municipal utilities that I have spoken with are very happy with their decisions to operate their own electric utility. I am sure you can find some bad examples, but I have not talked to one personally.

I have asked mayors of cities that own their own utilities and they have all told me that in the event of a hurricane are back online as quickly or quicker than the public utilities, and they say this with great pride. They take part in mutual aid agreements just like the public utilities do. In the one recent example of a city that took over its electric utility from an investor-owned company, following Hurricane Irma, Winter Park had all its customers back online at least two days before Duke Energy Florida had its customers in the same county (Orange County) back online.

As Destin has never been in the utility business, it may be best to put this out to bid and negotiate a contract with a Florida utility that offers lower rates and great service, and if after negotiations Gulf Power is the best then so be it.



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I must believe that all Destin citizens and businesses would want me, as your mayor, to address this as a business decision and make the best business decision for you and all our citizens. Paying \$70 million to save you and our other citizens \$150 million, or \$250 million, or more, after covering the entire front-end cost, seems like a sound business decision to me. The assets of the utility will not disappear if the utility is sold, it will still be there and will continue to climb in value if Destin continues to grow.

The Florida Public Service Commission voted in December for a multi-year rate freeze for four of the five major Public Utilities in the state except one, Gulf Power. Gulf Power has another price increase set for January 2018 and is moving counter to the others.

I urge you to obtain all the facts on this critical issue and to make an informed decision. That is exactly what I and the members of the city council are trying to do, gather ALL the facts and make the decision that is best for you and everyone in the city of Destin.

I take my duty to you and all of Destin's citizens and businesses most seriously. The city council voted to issue an RFP to gather information regarding our options, but at its meeting just before Christmas, the council voted to rescind the RFP to allow for further franchise negotiations with Gulf Power to proceed. We are not going to rush into this. We have already spent a year and a half developing plans and studying this opportunity.

I believe every member of the Destin City Council is trying to look after the best interests of the citizens of Destin. My bottom line is simple – I'm working to make the best business decision for all concerned, and I will look at all options. If Gulf Power presents the best options I will support them. If a new franchisee offers the best options, I will support that.

The following information is drawn from the Florida Public Service Commission:

Residential Customer Using 1,000 kilowatt-hours (kWh) per month:

As of 12/18/2017:

	<u>Monthly</u>	<u>Yearly</u>
Gulf Power	\$137.63	\$ 1,651.56
FPL	\$102.62	\$ 1,231.44
Tampa Elec.	\$104.68	\$ 1,256.16
Duke Florida	\$118.41	\$ 1,420.92
CHELCO (12/31/2016)	\$116.87	\$ 1,402.44

Gulf Customer Pays More than other Utility Customers by:

\$420 per year more than FPL customer.

\$395 per year more than Tampa Electric customer.

\$231 per year more than Duke Energy Florida customer.

\$249.12 per year more than CHELCO customer.

Following January's approved rate increase: As of 1/1/2018:

	<u>Monthly</u>	<u>Yearly</u>
Gulf Power	\$144.00	\$ 1,728.00
FPL	\$102.78	\$ 1,233.36
Tampa Elec.	\$106.00	\$ 1,272.00
Duke Florida	\$128.54	\$ 1,542.48

As of 1/1/2018, Gulf Customer Pays More than other Utility Customers by:

\$494 per year more than FPL customer.

\$456 per year more than Tampa Electric customer.

\$186 per year more than Duke Energy Florida customer.

Over 30 years at January 1, 2018 rates:

Average Gulf Res. Customer pays: \$ 14,839 MORE THAN FPL customer
 \$ 13,680 MORE THAN Tampa Electric customer
 \$ 5,565 MORE THAN Duke Florida customer

Estimated Total Electric Cost based on average cost/revenue per MWH for 2016 and 325,000 MWH (same as 325,000,000 kWh) per year:

Gulf customers in Destin would pay:

 \$ 8.97 MILLION MORE PER YEAR THAN if served by FPL
 \$ 6.59 MILLION MORE PER YEAR THAN if served by Tampa Electric
 \$ 4.63 MILLION MORE PER YEAR THAN if served by Duke Florida

Over 30 years, Destin customers would pay:

 \$ 269 MILLION MORE THAN if served by FPL
 \$ 197 MILLION MORE THAN if served by Tampa Electric
 \$ 138 MILLION MORE THAN if served by Duke Florida

Storm Restoration – Municipal vs. Investor-Owned:

After Hurricane Irma,

- ▶ Winter Park fully restored by 7:00 PM on 9/17/2017.
- ▶ Duke still had 39,691 customers in Orange County (same county/area as Winter Park) as of 8:53 PM on 9/17/2017.
- ▶ Duke still had more than 3,800 customers in Orange County out of service as of 6:00 PM on 9/19/2017.

Sincerely,



Scott Fischer
Mayor
City of Destin