

MAYOR:
BRIAN M. BAREFOOT

VICE MAYOR:
GERARD A. WEICK

COUNCIL
THOMAS W. CADDEN
RICHARD M. HAVERLAND
THOMAS F. SLATER

TOWN MANAGER
ROBERT H. STABE, JR.



TOWN OF INDIAN RIVER SHORES

6001 NORTH A-1-A, INDIAN RIVER SHORES, FLORIDA 32960
(772) 231-1771 FAX (772) 231-4348

July 18, 2014

[VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED]

Mayor Richard Winger
Vice-Mayor Jay Kramer
Councilmember Craig Fletcher
Councilmember Amelia Graves
Councilmember Pilar Turner
City Manager James R. O'Connor
City of Vero Beach
P. O. Box 1389
Vero Beach, FL 32961-1389

Re: Town of Indian River Shores

Dear Mayor Winger, Councilmembers, and City Manager:

As you know, residents of the Town of Indian River Shores ("Town"), the majority of whom receive electric utility service from the City of Vero Beach ("City"), have for years paid much higher electric rates than their neighbors who are served by another utility.

This morning, the Town Council voted to take several actions to achieve rate relief for its citizens. By this letter, the Town is notifying the City that:

- (i) The City's Franchise to operate an electric utility within the corporate limits of the Town expires November 6, 2016, and thereafter the City will no longer have the Town's permission to operate its electric utility within the Town;
- (ii) The Town has initiated a lawsuit against the City which, among other things, challenges the City's unreasonable electric rates and seeks a court order to have the City remove its electric facilities from the Town upon expiration of the Franchise Agreement; and,
- (iii) The Town agrees to abate its lawsuit against the City in order to pursue a resolution of this dispute under the conference and mediation procedures set forth in Florida's Governmental Conflict Resolution Act.

Mayor Richard Winger
Vice-Mayor Jay Kramer
Councilmember Craig Fletcher
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***THE CITY'S FRANCHISE TO PROVIDE ELECTRIC SERVICE WITHIN THE TOWN
EXPIRES ON NOVEMBER 6, 2016***

The City provides electric utility service to approximately 80 percent of the Town. The remainder of the Town is served by Florida Power & Light Company ("FPL"). The City's provision of electric utility service within the Town is permitted pursuant to a Franchise Agreement which the Town entered into with the City in 1986. In that agreement the Town granted the City an exclusive 30-year franchise to operate an electric utility within certain parts of the Town south of Old Winter Beach Road. In return, the City agreed to only charge the Town and its residents "reasonable" rates for the electric services that it provides.

The City's electric rates have increased dramatically over the last ten years. Today, the Town and its residents are being forced to pay unreasonable electric rates which are approximately 30 percent higher than the electric rates paid by other Town citizens receiving the same unit of electric service from FPL. Our conservative calculations show that citizens of the Town that receive electric service from the City are collectively paying in excess of \$2 million per year more than they otherwise would pay if electric service were to be provided by FPL. To compound these inequities, the City has given the Town and its citizens that receive electric service from the City no voice in electing those officials that manage the City's electric utility system and set rates.

The Town and its citizens have waited patiently for the City to address its excessive electric rates and the myriad of other problems that continue to plague its electric utility. However, our Town Council has a responsibility to protect its citizens and can wait no longer. As you know, the Franchise Agreement between the Town and the City will expire on November 6, 2016. Please be advised that the Town will not renew the Franchise. Furthermore, as of November 6, 2016, the City will no longer have the Town's permission to occupy the Town's rights-of-way and other public areas, nor will it have the Town's permission to operate its electric utility within the Town's corporate limits.

THE TOWN'S LAWSUIT AGAINST THE CITY

In addition, please be advised that the Town has filed a suit (enclosed) against the City to protect our citizens. Included in that suit is a challenge to the City's unreasonable electric rates, a demand that the City remove its electric facilities from the Town when the Franchise Agreement expires, and a Constitutional challenge regarding the denial of rights to non-resident customers. Although litigation is something that we had hoped to avoid, the City's actions have left us with no other alternative to protect our citizens from the City's unreasonable electric rates and disregard for its non-resident customers who have no voice in electing the officials who manage the utility.

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THE FLORIDA GOVERNMENTAL CONFLICT RESOLUTION ACT

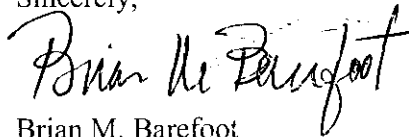
Because the lawsuit involves two municipalities, the suit is subject to the procedures of the Florida Governmental Conflict Resolution Act, Chapter 164, Florida Statutes (the "Conflict Resolution Act"). By the passage of Resolution 14-05 today, a certified copy of which is attached, the Town has agreed to abatement of its lawsuit in order to pursue dispute resolution under the conference and mediation procedures set forth in the Conflict Resolution Act. The Town is hopeful that a mediated resolution can be reached, but if not, the Town will have no choice but to proceed with prosecution of the lawsuit.

The Conflict Resolution Act sets forth an expedited timeline and procedural requirements to encourage the prompt resolution of disputes between municipalities. The Town proposes that the initial conflict assessment meeting, pursuant to Section 164.1053, Florida Statutes, be held on either August 13 or 14, 2014 at 6001 North A1A, Indian River Shores, Florida 32963. The Town suggests that the respective Chief Administrators of the Town and the City be present, along with respective counsel, as well as any other officials, counsel or advisors whom they deem appropriate. Furthermore, the Town believes that Indian River County, Indian River County Hospital District, and the Indian River County School Board are other governmental entities which should be invited to participate in these proceedings, and the Town will provide notice accordingly. The Town additionally proposes that it may be beneficial for the parties to agree on a facilitator or mediator to assist in the resolution of this dispute at an earlier stage of the process than required by the Conflict Resolution Act.

We look forward to collaborating with the City on the logistics of a mutually acceptable dispute resolution process, subject to the deadlines and procedural requirements of the Conflict Resolution Act.

Please have the City Manager contact our Town's Manager at your earliest convenience to discuss scheduling the conflict assessment meeting and any related issues.

Sincerely,



Brian M. Barefoot

Enclosures

cc: Indian River County
Indian River School Board
Indian River County Hospital District