

How the FPL-Vero Beach deal went from ‘war’ to ‘godsend’

By Colby Bermel

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Laura Moss celebrates after councilmembers voted Oct. 24 to sell Vero Beach’s electric utility to Florida Power & Light Co.

Source: Vero Beach City Council

Vero Beach, a Florida town of 17,000 residents, and Florida Power & Light Co., an investor-owned utility with 5 million accounts, are less than a year away from closing a \$185 million sale in which the company would acquire nearly all of the city’s electric system assets.

But how were the parties able to orchestrate Vero Beach’s exit from the Florida Municipal Power Agency, or FMPA, a challenge that had for decades derailed prior attempts at reaching a deal?

A key to facilitating negotiations was that the city and the agency both saw leadership changes in 2016. Vero Beach elected Laura Moss mayor with a mandate to effect a sale of its utility, an issue with which she was familiar from her time on the city’s Utilities Commission. And the FMPA’s new CEO, Jacob Williams, came to Florida with a fresh perspective after a 17-year career at Peabody Energy Corp.

Moss and Williams said they decided at the outset of talks to view each other as partners, not adversaries.

“What happened [previously] was it stopped being a business deal and almost became a war, which it never should’ve been,” Moss, who recently finished her mayoral term and now serves on the Vero Beach City Council, said in an interview. “A business deal has to be good for both parties, and I think that fell by the wayside.”

City of Vero Beach
1015 - 20th PLACE
VERO BEACH, FLORIDA - 32900

August 30, 1976

Dear Voter:

Your City representatives have negotiated a proposed sale of the Vero Beach Electric Utilities System to the Florida Power and Light Company for a value of \$42.6 million, subject to your approval through referendum on September 7th.

An excerpt from a 1976 letter by the Vero Beach City Council.

Source: Laura Moss

Since at least 1976, according to a letter Moss shared with S&P Global Market Intelligence, Vero Beach has been attempting to sell its electric system to Florida Power & Light, a subsidiary of NextEra Energy Inc. Both sides sought this exchange in part to address costly customer bills, an issue exacerbated by the fact that 60% of Vero Beach ratepayers live outside city limits in surrounding Indian River County.

In 2015, according to Moss, the city generated just 2% of the power residents needed, with the other 98% purchased from the FMPA and the Orlando Utilities Commission. Vero Beach's first power plant, a diesel facility that opened in 1926, has been closed for decades — ultimately taking on new life as a brewery. Another city plant, known locally as "Big Blue" for its turquoise exterior, was retired in 2015.

"It's really not a good business for a small city to be in," Moss said. "The energy sector is changing at incredible speed, and even the large players don't always know where to place their bets."

'Let's see if we can do it'

The transaction's biggest obstacle has long been how Vero Beach would leave the FMPA. The group is owned by 31 municipal utilities, and those towns refused to pay more for power after Vero Beach's departure.

"The members at FMPA were getting tired of this battle. It's my understanding from the employees involved that they were spending a lot of time on it, and it wasn't value-added time," Williams, who is also the agency's general manager, said in an interview.

He started at the FMPA in September 2016 after serving as Peabody's vice president of generation and emissions technologies. In a previous role at that company, Williams helped develop the Prairie State Energy Campus, the largest coal-fired facility to open in the United States in more than 30 years.

Before selling its stake in 2016, Peabody co-owned Prairie State along with municipal joint action agencies and rural electric cooperatives. Thus Williams was familiar with municipal issues when he arrived at the FMPA.

Describing his approach to the deal, he recalled, "We're going to have to essentially waive provisions in the bond

governance ... which is not easy, and it's going to take a little time. But let's see if we can do it."

In November 2016, Moss was elected mayor of Vero Beach — backed by voters who wanted a deal, and boosted by over \$100,000 in spending on pro-sale candidates by a FPL-funded political action committee, according to the Treasure Coast Newspapers group.



Laura Moss and Jacob Williams.

Sources: Vero Beach, FMPA

'A breath of fresh air'

Both Williams and Moss spoke of how they wanted to clear things up, both substantively and stylistically.

"You make progress by having good communication and goodwill," Moss said. "When I went to FMPA as a representative, basically there was over a decade of ill will to work through, and it was on both sides. They had a misperception of Vero Beach, and I think Vero Beach had a misperception of FMPA. But because you had new people at both ends, you could change that. And that was really the godsend."

"I think it was as much the [FMPA] board saying, 'We want to stop fighting what can't happen, let's figure out what we can do,'" Williams recalled. "Sometimes you need someone who's not tied to the history of the organization. ... That was helpful."

With fresh perspectives and a collaborative approach, the parties reached a rapid resolution. In late February, Williams presented the Vero Beach City Council with a number: \$108 million, the amount needed to terminate the town's FMPA agreement. The council agreed to that figure, and in October approved the overall acquisition by FPL, worth \$185 million.

"Everything had been bad news for such a long time in terms of FMPA and the deal. And to have good news was a breath of fresh air; we needed it," Moss said. "Mr. Williams, to his credit, he understood that right away."

Moss remembered how after one City Council meeting, someone at the supermarket recognized her from a broadcast of the hearing. "That's how intense it became," Moss said. "You go into Publix and the cashier just saw you on TV; that's how closely people were following it."

'I Heard It Through the Grapevine'

According to Williams, 10 of the FMPA's 19 member cities have already approved the transaction, with the rest scheduled to vote on it in January 2018. The Florida Public Service

Commission and the Federal Energy Regulatory Commission must also review the deal, with a scheduled close date of October 2018.

Williams said he is still working with several towns to clarify terms. "We don't see any cities that are saying no as much as a few of them need a little more information," he added.

Moss invoked the Marvin Gaye track "I Heard It Through the Grapevine" when comparing past and present efforts to seal the deal.

"I love that song from the '60s, but it's bad in business," she said. "You hear a rumor, and it's like, 'If they're going to do that, then I'm going to do this,' and it becomes like an arms race — who's going to nuke who first. You don't want to do that."

"We both agreed right off the bat anytime anything was going to come up, each of us always knew in advance," Moss continued. "That's a good, solid working relationship for which I am very thankful."