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May 10, 2005

Honorable Mayor Pegeen Hanrahan and Members of the Gainesville City Commission  
City of Gainesville  
Alachua County Courthouse  
12 SE First Street  
Gainesville, FL 32601

Re: Gainesville Regional Utilities Proposal for Expansion of its Electric Generating Facilities

Dear Mayor Hanrahan:

Gainesville Regional Utilities has presented to the Gainesville City Commission for its consideration a proposal for the expansion of its electric generating facilities. This proposal has been before the City Commission for approximately two (2) years and has been through multiple public hearings. It has been clear that there has been much controversy within the community regarding this proposal. Questions abound with regard to whether an expansion of existing facilities is needed, what will be the impact of a coal fired facility on the general health of the citizens of this community and on the economy of the community, what impacts will the environment experience as a result of an expanded coal fired facility, and a multitude of other issues, many of which are extremely technical in nature. The City Commission several months ago decided that it would be appropriate to obtain an independent review of the Gainesville Regional Utilities proposal. The purpose of such a review would be to determine whether the assumptions made by GRU in making this proposal were valid, what additional alternatives should have been considered or should now be considered, and generally to provide the City Commission with a review of the feasibility of the project as proposed in light of the significant concerns surrounding an expansion of existing facilities based upon coal as the fuel of choice.

Because of the significant controversy surrounding this project and the many diverse views regarding whether or not the project should proceed as proposed, a group of interested citizens with diverse

backgrounds and interests began meeting to see if they could arrive at a general consensus concerning the proposed GRU expansion. The group was composed of Doris Bardon, Rob Brinkman, Adrienne Burges, Kathy Cantwell, Brent Christensen, Josh Dickinson, Chic Holden, Bonnie Mott, Dave Newport, Jim Painter and Kendra Siler-Marsiglio. Karen Johnson also participated with the group as a resource person. Obviously the makeup of this group is diverse and represents such organizations as Women for Wise Growth, The Sierra Club, the Gainesville Area Chamber of Commerce, The Gainesville-Alachua County Association of Realtors, the Builders Association of North Central Florida, Sustainable Alachua County, The League of Women Voters and Well Florida Council. It should be understood at the outset, however, that none of these named organizations have approved or endorsed the positions being presented in this letter but rather I have named those organizations to give you an idea of the diversity of the group that has been meeting over the past several months.

It became very obvious after the first several meetings of this group that we were not going to be able to dissect and analyze the GRU proposal and reach some form of consensus on the best means to provide the City of Gainesville with adequate utility service at a reasonable cost to the residents and businesses that are served. We reviewed GRU reports, proposals, outside consultant's reports and other available information regarding this entire issue and came to the conclusion that generally speaking as individuals we did not have the expertise to technically analyze all of the pros and cons related to GRU's proposal. It was however, felt that as a group we could provide the City Commission with some suggestions that would assist an independent review panel in looking at this project.

First and foremost from the Committee's standpoint is that the independent review person, persons or entity must truly be independent. That having been said, it would be anticipated that the independent review would be conducted by someone or some firm outside of the Gainesville community. In an effort to assist the reviewer in looking at this project we felt that the reviewer should be presented with certain basic assumptions and that among other things the reviewer should specifically address certain critical issues. As a group we have reached consensus on some assumptions that we would ask an independent reviewer to take into consideration when addressing this project, and in particular when addressing the specific issues that our group felt needed to be addressed. I have attached to this letter the group's adopted assumptions and issues. It should be understood that significant time and discussion went into the framing of these assumptions and issues, with the clear understanding that an independent reviewer will also be faced with numerous other questions concerning the GRU proposal.

It was our group's feeling that by presenting to the City Commission the enclosed suggestions for consideration by an independent reviewer, coming from a very diverse group of individuals, that the reviewer would be put in a position of considering options and issues that might not otherwise be

Mayor Pegeen Hanrahan  
Page three

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apparent from a review of just the printed proposal prepared by Gainesville Regional Utilities. We hope that our efforts can be helpful to the City Commission as it makes a decision on how the future energy needs of the City will be met. We would ask that you provide the independent reviewer with a copy of this letter and its attached memorandum, and that you direct the reviewer to specifically address the assumptions and issues setforth in the attached Assumptions and Issues Memorandum.

Sincerely,



Charles I. Holden, Jr.

CIH/rw

cc: Karen Johnson, Kathy Cantwell, Bonnie Mott, Kendra Siler-Marsiglio, Doris Bardon,  
Dave Newport, Adrienne Burges, Jim Painter, Brent Christensen, Josh Dickinson, and  
Rob Brinkman

## Assumptions and Issues

The following represent assumptions and issues that should be considered by an independent review panel when conducting its review of the proposal presented by Gainesville Regional Utilities concerning the future energy needs of the City of Gainesville.

Assumption #1 - Conservation, Efficiency and Demand Side Management ("DSM") should be considered as cornerstones in the decision making process of how Gainesville's future energy needs are to be met by GRU.

1. Assumption #2 - 2(a) There will be no expansion, exclusive of population growth, of the geographical electrical service territory currently served by GRU, other than expansions that occur as a result of annexations of land into the City of Gainesville by actions of the City. Wholesale sales of electrical energy should not be considered to justify a need for new generation capacity.

2(b) There will be the potential expansion of the retail territory served by GRU to include all of Alachua County. Wholesale sales of electrical energy should not be considered to justify the need for new generation capacity.

Assumption #3 - Base Rates shall be maintained at plus or minus 10% of the median North Central Florida base rates.

Assumption #4 - At least annually there will be an adjustment of base rates to meet preselected general fund transfer targets established by the City of Gainesville.

### 1. Issue - Conservation efficiency and demand side management

(a) Should a progressive rate structure be considered to promote conservation, efficiency and DSM?

(b) Should a decoupling of a rate structure related to income generated from customers versus energy used be considered to encourage conservation, efficiency and DSM.

### 2. Issue - Conservation, Rates and Income

What is the maximum energy efficiency, conservation and DSM reasonably attainable in the GRU service area and how will that effect the price to consumers?

How can this be accomplished without significantly adversely impacting economic development, the economically disadvantaged consumers in the community and the general funds transfer.

### 3. Issue - Emissions of Regulated Compounds, Mercury and GHG.

(a) which fuel and/or mix of fuels and technologies, and/or mitigation or offsetting strategies could be used to give us the least amount of regulated air emissions, mercury, and GHG's?

(b) compare the availability of the various fuel supplies over the next 30 years.

(c) what is the total cost accounting of all externalities related to the fuel selection- externalities to include but not be limited to impact on property values, healthcare costs, transportation costs,

water supply, extraction costs for the fuels and the economic impact on residential users and business users.

#### 4. Issue - Tests

With respect to conservation, energy efficiency and DSM programs what evaluation tests should be used, eg: the RIM Test, the total resource cost test, and/or the participant test, and under what scenarios should these tests be used?