



NEBA News

September- October 2005

Coal Project Overview

by: **Maureen Thompson**
NEBA President

In this, my next-to-last column as NEBA President, I thought I'd address an issue that is arguably the most important one to face our city in many years.

This month's NEBA meeting (on September 13) featured Kevin Wailes, General Manager of the City of Tallahassee's Electric Utility; he presented the City's argument for participating in the proposed Coal Plant. On September 14 I was able to hear Mr. Wailes speak again, courtesy of my Rotary Club (The "Downtown" Club). This time, however, Mr. Wailes participated in a mini-debate, with timed responses and an opposing viewpoint. Speaking on behalf of the Clean Energy Coalition was Steve Urse, community volunteer and former Executive Director of the Florida Prosecuting Attorneys Association (he retired from that post in January of 2003).

What follows is a joint statement that has been agreed upon by both Mr. Wailes and Mr. Urse. I think it is perhaps the best, and most balanced statement dealing with the facts of the project that I've read thus far, so I got permis-

sion to share it with you all: (Quote) "The North Florida Power Project is the name given to an 800-megawatt coal-fired power plant that a group proposes to build, on a site east of Perry, in Taylor County, at a projected cost of some 1.4 billion in today's dollars. (*Note: It was reported last week that this site has in fact been secured*)

Three electric utilities are involved already, all publicly owned. The lead partner or project manager is JEA (formerly known as the Jacksonville Electric Authority). The other two are the Florida Municipal Power Agency (actually a consortium of smaller municipal utilities) and the Reedy Creek Improvement District, which is closely associated with The Walt Disney Co. Public ownership of the project could make financing debt easier and less expensive.

In round numbers, the Florida Municipal Power Association has a 40% interest (actually 38.87%), JEA has 31.56%, and Reedy Creek has 9.36%. Originally Seminole Electric Cooperative had approximately a 20% interest (actually 20.21%), but the Cooperative has dropped out, and the question our speakers will address

today is whether the City of Tallahassee should accept an invitation to take over Seminole Electric Cooperative's position, which would eventually amount to about 150 megawatts.

The City Commission has voted to participate in the next phase of this project and has set the issue for referendum in November. Participation would require that the City reimburse its share of costs incurred to date and pay its share of costs incurred in the future up to the point that a site for the plant is certified, even if the City decided not to go forward beyond that point. These costs, which include land acquisition, are estimated at between \$2,500,000 and \$6,400,000. Although reimbursement of these costs is not guaranteed if Tallahassee does not elect to

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When Plotting Investments, Being Too 'Safe' Could Mean Being 'Sorry'

by: **Alan R Null, Waddell & Reed Financial Advisor**

"All investors need to strike a balance between conservative and aggressive strategies. Going too far one way or the other generally will not help you achieve your long-term financial goals." Alan Null

Most of us don't like to take risks with our money. But if you are not careful when planning your financial future, being too conservative may leave you short-changed when retirement rolls around. If you want to achieve adequate investment growth over a long period of time, you may need to consider some higher-risk investments.

There are several types of risk, and certainly one type is market risk – or the risk that prices will fall and you will lose money. However, another type that all long-term investors should consider is inflation risk – or the risk that investment returns will not keep up with the cost of living over time. With inflation averaging approximately 3 percent per year, basic calculations tell you that in 14 years you will need \$2 to purchase what \$1 buys today. So, if you invest only in "safe" or conservative vehicles, you may not achieve the growth you need many years down the road. Risk cannot be avoided entirely, but most financial

advisors agree that there are some key strategies you can implement to potentially manage risk over time.

Invest regularly. Putting money into the market gradually and consistently means that you reduce the risk that you will make all your purchases when prices have temporarily peaked. Dollar cost averaging is one popular way to do this, through which you invest fixed amounts at regular intervals and thus purchase more shares when prices are down, fewer when prices are up.

Diversify. Consider holding a variety of types of investments, perhaps both growth stocks and income-producing instruments, such as bonds. Different types generally react differently to varying market conditions, and thus potentially reduce the risk of holding only one type.

Think long-term. Although past performance doesn't guarantee future results, equity investments have historically produced returns above inflation levels. No one knows what direction the market will head in a given time period, but successful investors often build wealth by investing regularly in long-term performers.

If you are planning for your financial future, talk to your financial advisor about appropriate growth and income-producing investments. Trying to be too safe could, over time, leaving you feeling sorry.

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go forward with construction, these costs would be recoverable if another entity bought Tallahassee out in the same manner that it has been proposed that Tallahassee acquire Seminole’s interest.

The City would also be involved in filing the petition to certify the need for the plant with the Florida Public Service Commission, and would be a party to a site certification process involving the Florida Department of Environmental Protection. Both would consume municipal resources in the form of City staff time and fees for special counsel for the City, in addition to consultants and special counsel who would be working directly for the North Florida Power Project itself.

If Tallahassee participates in construction of the proposed plant, its share of construction costs in today’s dollars would be approximately \$300 million. In addition, the City might have to construct transmission lines to Tallahassee on its own at an additional, estimated cost of up to \$60 million.

Based on current project cost assumptions and fuel price forecasts, the North Florida Power Project is not expected to lower electric rates in the near term. In fact, rates would likely increase slightly in the later years of construction to reflect the cost of building additional facilities. In the long term, however, rates should be more stable with some coal-based energy in the City’s power supply portfolio, and electric bills could be somewhat lower than they

would have been otherwise.

The proposal is that construction would begin in 2007 and that the plant would begin commercial operation in 2012.” (End Quote)

If you attended NEBA’s luncheon, then you’ve heard Mr. Wailes make his case. If you missed our meeting, and for those of you who have not heard members of the Clean Energy Coalition speak, I’ll condense what I heard from both sides at my Rotary meeting here:

Mr. Wailes and his staff have done years of research that convince them that as early as 2010 the City will need additional sources of power in order to meet the demands of area utility customers. He states that the North Florida Power Project (NFPP) represents our best hope, both because the projected cost of coal vs gas is much lower and because as part owner we will be able to buy power at wholesale rates. Mr. Wailes has researched alternative sources of power and does not think any of them are viable at this time (although he does not rule out investing in them in the future). He believes the NFPP will build one of the cleanest Coal Plants in the country, and that its emissions will be comparable to any other technology. He sums up by saying that the plant will be built anyway, and in order to reap the economic advantages Tallahassee needs to be an owner, not just a buyer.

Mr. Urse is not convinced that enough research has been done on alternative sources of energy, and he believes future energy needs can be met by emphasizing efficiency

(possibly retrofitting City buildings, or using the money the City has proposed spending to market the Coal Plant on marketing energy conservation methods, for example). He feels that “There’s no such thing as a safe coal plant,” citing smog, soot, mercury, acid rain and global warming as possible side-effects. He is concerned that projected costs for the City’s portion of the NFPP will balloon during construction due to increases in costs of concrete & steel, and points out that coal prices could increase dramatically in the future just the way natural gas has. Mr. Urse sums up by saying the City should take the \$6 million they plan to spend on the coal plant and use it to buy natural gas and/or invest in a solar thermal energy program.

It is worth noting that at this month’s NEBA meeting the audience was unanimously in favor of building the coal plant (we did have a couple abstentions from the head table). I confess to personally being of 2 minds – intellectually I know investing in the coal plant makes good business sense, but intuitively I mistrust anyone who guarantees me something that produces so many harmful waste products will have absolutely no ill effects on our environment 10, 20, or 50 years from now. As business owners and leaders in the community I would hope that NEBA members will be voices of reason as this debate continues, continue to urge others to stay informed, and in the end, vote according to your conscience.

Calendar

NEBA meetings are held on the second Tuesday of each month at Lucy Ho's-
1700 Halstead Blvd.
from 1:00 p.m.- 2:00 p.m.
Cost is \$9.00 per person

October 11- Regina Davis-Frenchtown Revitalization

November 8- Rick Bateman-Update on Fallschase

December 13- Holiday Party-Ted Thomas residence

Business Tips...

Are there other sources of financing for start-up businesses?

Yes. First consider your personal resources. Ask your bank about a personal loan and remember that a home equity loan is still the cheapest and fastest loan to obtain. Next, approach family and friends – those who know you best and who want to see you succeed. Show them the opportunity of investing in your business. Let them have an equity stake in your business, or if they prefer to lend you the money, write up an informal contract and pay back the loan as if you were working with a bank.

Factoring companies provide money lent upon receivables. If you have a product or service that you have already provided and billed for, but you do not expect payment for several weeks, a factoring company will quickly provide you up to 80 percent of the total invoice. This cash helps to cover the cash flow of the company until you get paid.

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