

Cape Coral questions transparency of LCEC's construction fees



FRANK BUMB, FBUMB@NEWS-PRESS.COM 8:26 p.m. EDT March 26, 2016



(Photo: Frank Bumb | News-Press0.)

Dale Darwin and Jim Schmidt didn't want their new dream homes in Cape Coral to go without electricity. But the price to extend lines to their respective homes left them gobsmacked and questioning why they had to pay fees in the thousands of dollars to the Lee County Electric Cooperative with few answers.

"As far as being courteous to us, they were very courteous," Darwin said. "As far as getting information, we couldn't get anything."

Cape Coral city officials said it perceives a lack of transparency behind those fees. That process has led to friction between the city, its residents and LCEC. LCEC contends that its fees are perfectly in line with good business practices.

"We are running a business and there is proprietary information that we're not going to publish," said Karen Ryan, a spokeswoman with LCEC. "It's not that we're not being transparent, it's that we're doing good business practices."



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The disagreement between the city and LCEC has bled over into the ongoing negotiations for a new franchise agreement. The current franchise agreement is set to expire Sept. 30.

Construction fees

The fees are known as Contribution in Aid of Construction fees. Such fees are charged when the cost to bring service to a residence, business or other building is far greater than the expected revenue from charging for that service.

Practically every utility charges some version of the CIAC fee, including the city of Cape Coral for its water, sewer and electric utilities. Other cooperatives such as Glades Electric Cooperative – which serves Highlands, Glades, [Okeechobee](#) and Hendry counties – and investor-owned utilities like [Florida Power and Light](#) also charge CIAC fees.

Darwin and Schmidt said they had no objection to paying such a fee but the amount charged to them had them concerned and their efforts to find out how LCEC arrived at the respective figures were rebuffed.

Schmidt was charged \$4,531 – after an initial estimate of about \$10,000 was dispute and reduced – to bring electricity to his home in northwest Cape Coral. His CIAC fee also provided for electric connections to two vacant lots that future homes could connect to and receive power from LCEC. Schmidt said his meeting with LCEC on those charges left him stunned.

"My question back to them was then how do I recoup the 2/3s of the nearly 5,000 that you've levied to me," Schmidt said at a Cape Coral City Council meeting. "Their answer was, blatantly, once the new homeowners across the street build their homes you may walk across, knock on their door and beg for money. That was their answer."

Ryan disputed Schmidt's recollection of the meeting with LCEC staff.



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“This is not part of the LCEC CIAC policy and it is unlikely that an employee would say something of this nature. I understand the customer may have been frustrated during discussions with staff, but it is highly unlikely that this occurred,” Ryan said in an email.

Darwin was charged an even higher amount, \$10,851.50 to his home in an already-developed neighborhood of Southwest 23rd Street. Darwin said he had an independent estimate done and put the cost at about \$6,000.

“(Our builder) then asked LCEC about their computations for this, about how they arrived at \$11,000 compared to the estimate,” Darwin said. “And LCEC refused to show them how, refused to give any computations.”

Darwin and Schmidt said the lack of justification for how LCEC calculated its fees was their central concern. Ryan said the information was proprietary to protect LCEC and its suppliers.

“We wouldn’t publish those prices because it would impact the bid process. If we say a pole of this size costs this amount of money, competitors could undercut our pole supplier to win the next bid,” Ryan said. “That’s not a fair way to do business (to our suppliers).”

Ryan said LCEC awards bids not only on cost but also their experience with a supplier, product quality, past jobs, and other factors. She also said the cooperative is confident it receives fair prices from its suppliers.

But more exact figures can also come after a project is completed. FPL and Glades Electric Cooperative provide different versions of what is known as a true-up. A true-up allows a customer that pays a CIAC charge to request a more exact accounting of the costs of a project after completion. But the process is a double-edged sword according to Sarah Gatewood, a communications specialist with FPL.

“The customer can get the actual cost compared to the estimate that was paid,” Gatewood said. “That works both ways. We’ll refund a difference but if it’s higher, the customer would have to pay the difference.”

Paul McGehee, director of business development for Glades Electric Cooperative, says its system is setup to compel refunds before a project can be closed out.

“At the end of the job, each of the things we do is tied to work orders, every piece of infrastructure or labor is assigned a cost in our system in labor hours,” McGehee said. “If at the end of that the numbers don’t match, if we don’t balance the numbers, we have to refund the member the difference. We literally cannot close out that work order until that money is refunded to the member.”

LCEC does not provide a true-up process.

“LCEC made a business decision when our policy was being developed not to incorporate a true-up process. The process of truing up is complex. As I mentioned, sometimes it may require billing a customer an additional amount over the original CIAC charge,” Ryan said.

“This would also entail a collection process which LCEC would have no leverage to collect on this debt other than litigation which would most likely cost more than the addition charge.”

Assistant City Manager Mike Ilczynsyn said the city’s complaint to the Florida Public Service Commission includes a request for justification of CIAC charges. That complaint is one of the many threads woven through LCEC’s negotiations with the city for a new franchise agreement. Ilczynsyn said the city’s concerns with CIAC charges, among other issues, are leading to a lack of trust with LCEC.



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“We are not comfortable that LCEC is providing fairly substantiated CIAC documentation,” Ilczynsyn said. “They haven’t done for us. We’ve heard it from residents, a business owner that the same thing happened to them. We’ve gone through the exact same thing. This is why we don’t just trust them. We don’t trust what they’re doing.”



Cape Coral Mayor, CEO of LCEC, spar

(<http://www.news-press.com/story/news/local/cape-coral/2015/09/09/cape-coral-mayor-ceo-lcec-spar/71953762/>)

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