

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, JANUARY 17, 2006, CITY COMMISSION CHAMBERS.

Members Present: Chairman, Robert W. Summerhays, Jr.; Vice Chairman, Thomas K. Perona; Secretary, Darrell Drummond; Deputy Secretary, Pam Cully; Mayor Robert J. Benton III

Others Present: Director of Utilities; Director of Electric/Gas Systems; Director Water/Wastewater Systems; Director of Corporate Services; Director of Shared Services; Internal Auditor/Risk Manager; Corporate and Community Relations Manager; FPUA Attorney

Chairman Summerhays called the meeting to order.

The Invocation was given by The Reverend Billie Davis of St. Mark's Baptist Church.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Mr. Frank Varella presented the Government Finance Officer's Association Award Certificate for Comprehensive Annual Financial Report for FY Ending 9/30/04. He advised the Board we have received this award for the last ten or eleven years. It is the highest award attainable for presentation of a municipal or governmental entity's financial statement. Mr. Varella thanked the Board for their support and his staff for their hard work in obtaining this award. Mr. Summerhays stated, for the record, having had two partners engaged in municipal accounting for years, that award is hard to get.

Motion by Mayor Benton, seconded by Mr. Drummond and unanimously carried to approve the items listed on the Consent Agenda:

1. Approval of the Minutes of the Regular Meeting of December 20, 2005.
2. Comparison of Residential Electric Rates for the Month of November, 2005.
3. Approve Specific Authorization No. 05-0144.01 with LBFH, Inc. for North Old Dixie Highway Route Survey in the lump sum fee of \$55,000.
4. Approval of the Minutes of a Special Meeting held January 9, 2006.
5. Bid 5577: Award lowest and best bid to Seacor Painting Corporation in the amount of \$40,470 for painting of Lawnwood Substation and Hartman Road Substation.
6. Purchased Gas Adjustment for Firm Gas Service for the period of February 1, 2006, through February 28, 2006, will be +\$1.92 CCF.
7. Bid 5591: Approval to piggyback City of North Miami Beach Bid for sewer rehabilitation services with Miller Pipeline Corporation in the amount not to exceed \$167,000 for first year and \$100,000 for annual renewal option.

The following letters of appreciation were noted:

1. A card was received from Cynthia Blair of High Point thanking FPUA and Bill Cahee, Electric Operations Dispatcher, for replacing streetlights in front of her house.

2. A letter was received from the Pastor of First Baptist Church of White City thanking FPUA employees for donation of food to their food pantry.
3. A letter was received from the Executive Director of Learn to Read of St. Lucie County, Inc. thanking Bill Thiess, Director of Water/Wastewater Systems, for his support and FPUA's sponsorship of their Dessert Party.

Mr. Craig Brewer, Superintendent of Electric Transmission & Distribution, presented a request for a 60 day extension and an additional \$400,000 for the Unit Price Contract for overhead electric system. He explained when you plan for things during the year, certain things come up during the course of the year that may cause you to spend more money than originally planned. Growth has caused some of this. We also added a streetlight contractor to help us keep up with some of our streetlight work after the hurricanes last year. We found that to be beneficial, so we kept them on throughout the year. That was something we hadn't planned to do, initially. Another thing we found during our inspections was a static wire on a 605 line between our power plant and Savannah Road Substation that had worn in two. It cost about \$100,000 to replace the static line in order to prevent future problems in the event the line came down. It is above the other lines, so it would have taken out the transmission line.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve a 60 Day extension with Pike Electric, Inc. in the amount of \$400,000 for the Unit Price Contract.

Mr. Frank Varella presented a report on the Cogsdale/Great Plains Systems implementation and request for additional funds.

Mr. Varella informed the Board that staff is done with the major implementation of the Great Plains Financial Package, as well as, the Cogsdale Customer Service Management (CSM) Package. About two years ago we came to the Board and asked for approval to purchase and implement two new systems. These are major systems. We call these our legacy systems, because they encompass all of our business from a financial, accounting, and customer perspective. The Cogsdale CSM system does all of our billing for all of our utility systems on a one invoice per customer basis. Our Great Plains Financial Package does all of our accounting from our General Ledger to our Trial Balance to our Payroll, Inventory, Accounts Payable, Cash Management, etc. A couple of years ago when we came to the Board and asked for money, we asked for almost \$700,000. At that time we didn't expect three hurricanes, but he is pleased to announce that we have successfully implemented it in the timeframe we anticipated. We didn't have very many major problems, except for a lot of stress. For the most part, it went pretty smoothly. We are asking for additional funds. We are asking for \$57,346. Of that amount, \$25,000 is related to invoices from April through September. That includes all the extra work performed that was not anticipated, which amounted to about \$15,000 from January, 2004, until April of 2005. The other \$31,000 relates to implementing another package we purchased with the program. This is the Preventative Maintenance System. It won't be ready until March, but starting in March, we are planning to implement that. That will take care of all our preventative maintenance type packages company-wide. We can do plant preventative maintenance with it, as well as, operations and automotive preventative maintenance. We are very happy with the programs and the decision. One of the reasons we liked Cogsdale and Great Plains when we went to it, was because it was very flexible and very dynamic. Even though we are done with implementing the system, it doesn't mean we're done with changing over the next couple of years. We implemented the service order part of the system and changed our work order processes to adapt to the system. After we got the system implemented,

we still needed to change in order to continue to adapt to the system. We are putting together a task force that is commissioned to go in and look at the work order process, the service order process, again, and try to improve the process, so that we can better manage our workforce. He doesn't see this as something that is going to end. He sees it as something we're going to have to keep changing in order to fully utilize and adapt to the system, so that we can work through all of our growth issues, all of our new revenue type issues, and things like that. In addition, about twice a year, this system comes out with upgrades, either made by Cogsdale or Great Plains. Those upgrades include process changes, so when we receive those upgrades, we need to adapt to them, also. As we go along in the next ten to twenty years, we will be making continual improvements and enhancements in our operations and staffing.

Mr. Perona said the preventative maintenance module mentioned was purchased in the original contract. Mr. Varella said it was purchased when we purchased the first set of programs. Mr. Perona said, but, the implementation expenses weren't contemplated at that time. Mr. Varella said that is correct. When we originally set forth the plan to purchase all of the programs, we got into it and after we looked at it, we decided there were some we wanted and some we didn't want, and we wanted other ones, because they would better fit our system. From the preventative maintenance perspective, at the time, it was a Great Plains package. Cogsdale saw that the Great Plains package did not really meet our needs to the fullest extent. In addition, they saw an additional market, KUA, who needed the same type of accounting for preventative maintenance that we did, so Cogsdale took the Great Plains package and modified it to better adapt to us and KUA. Mr. Perona said he was wondering why we didn't think about expensing the implementation when we bought the package. Mr. Varella said it wasn't included in the first plan. There were programs that were listed that we took. There were some that we didn't take. Preventative Maintenance was one of them. Although we bought it, we didn't take it, because we saw if we waited, we would end up with a better module.

Mr. Summerhays asked Mr. Varella if we are able to do budget billing now. Mr. Varella said yes. Mr. Summerhays asked if we are going to start promoting it. Mr. Varella said he believes next month we are starting to promote it, but we already have people who have come in and asked for it. We are putting customers on as they come in and ask for it. Mr. Summerhays thinks it's important that we promote it and make it known to our customers. Mr. Varella said starting in February there will be an insert going out with the billing promoting budget billing.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve additional funding as requested by Mr. Varella for implementation of the preventative maintenance program.

Mr. Bill Thiess, Director of Water/Wastewater Systems, presented a request for additional funding for the Unit Price Contract with Ditchdiggers, Inc.

Mr. Thiess advised the Board this request is based on an assessment of our systems. It became apparent as we got into the fiscal year that there was more rehabilitation that needed to be done this year. It probably represents a little bit of a shift. Last year we focused more on expansions and were spending more money on putting mains in the ground and sewer systems and keeping ahead of the City, County and DOT. The request, today, represents doing a little preventative maintenance and rehabilitation. This is budgeted money. We project the additional amount we will need until September 30th is \$493,000 to rehab sewer and water mains.

Motion by Mr. Perona, seconded by Mr. Drummond and unanimously carried to approve additional funding in the amount of \$493,000 for unit price contract with Ditchdiggers, Inc. for installation of underground utilities for Water/Wastewater Systems for year 3 of the current contract through September 30, 2006 and increase contract unit prices.

Mr. Thiess presented a request for approval of additional funding for the contract with Lanzo Lining Services, Inc.

He advised the Board we have an existing contract with Lanzo. He thinks we had around \$140,000 in the contract for this year for lining various sections of the City. Today, he is requesting additional funding for the Department of Transportation (DOT) job between 13th and 32nd Streets on Orange Avenue. We are not going into a Joint Project Agreement (JPA) with DOT. We don't like to do that unless we have to, because we have to front a lot of money, plus a large contingency, and it takes forever to get it back. An example is the western Orange Avenue project, which has been done for two years, and we still don't have the funds back from the JPA with DOT. This isn't as much of a major rebuild as the previous project. We want to get in and out ahead of DOT and, maybe, a little bit of work will be required during the project. This is for lining sewers across most of the intersections. The lining is cheaper than going in and excavating and doing the MOT's (Maintenance of Traffic) to control the traffic and overlaying the excavations. It is both for economics and to expedite the timeframe to get in and out before DOT.

Mayor Benton asked if the payback from DOT comes through the City or directly to FPUA. Mr. Thiess said it comes directly to the UA. He has spoken with DOT about it as recently as a week or two ago, and they are still sorting out some final pay issues with Dickerson Florida. It should have been done by now, but there have been extenuating circumstances that dragged the whole process out, which is not unusual on big jobs like that.

Motion by Mr. Drummond, seconded by Mr. Perona and unanimously carried to approve additional funding in the amount of \$160,000 to contract with Lanzo Lining Services, Inc. for sanitary sewer lining along Orange Avenue between 13th and 32nd Streets.

Mr. Doug Giel presented a request for approval to amend the UA's retirement benefit plan.

Mr. Giel said the package before the Board containing the actuarial impact statement is for the purpose of asking the Board to approve two changes to the retirement system. Back in July of 2005, we approached the Board on the credited service factor, increasing it from 2.5 to 3.0, which the Board approved. At that time we made two additional recommendations, but we did not have the numbers from the Actuary at the time, so the Board asked that it be brought back at a future date. We are here, today, to ask the Board to approve two changes. They are changing the definition of the final average salary from the highest five consecutive years out of the last ten to the highest five years out of the last ten. There is not cost associated with that change. The second change is to decrease the service eligibility for non-duty disability retirement from 10 years to 5 years. That will cost an additional \$5,987 per year according to the actuarial study. These two changes will bring us in line with the other governmental entities: the Fire Department and the General City Government. They already have these changes in their retirement plans. We do not. By approval of this, you will bring us in parity with the other two units.

Mr. Drummond asked with regard to the first change, how often would something like that occur where there would not be the last five consecutive years being the highest? Mr. Giel said in the case of hurricanes a lot of our non-exempt employees who receive overtime, would receive an extraordinary amount of overtime during those years. Those years may not be within the last five years, so by using the highest five years in the last ten, not necessarily five consecutive years, it would help them improve the average salary for retirement purposes. Mr. Drummond said the abnormalities brought about by a natural disaster would calculate into long term retirement benefits. Mr. Giel said yes. Anybody receiving extraordinary amount of overtime in any one year, would raise their annual salary.

Mr. Drummond asked if Mr. Giel could briefly explain to him the non-duty disability retirement. Mr. Giel said that means that if an employee should be disabled from the ability to perform their job due to an off the job injury, that employee would be able to apply for disability retirement and would be eligible if they have five years of credited service, as opposed to ten. It reduces it by five years. Mr. Drummond asked what is the vesting of the UA. Mr. Giel said it is five years.

Motion by Mr. Perona, seconded by Mayor Benton and unanimously carried to amend the UA's retirement benefit plan to change the definition of final average salary from the highest five consecutive years out of the last ten to the highest five years out of the last ten and decrease the service eligibility for non-duty disability retirement from ten years to five years.

Mr. Tom Richards, Director of Electric/Gas Systems, presented a request to the Board to authorize staff to send a notification letter to Florida Gas Utility for election of the ten-year rollover option for Florida Gas Transmission's transportation of gas to FPUA.

Mr. Richards stated about ten years ago we signed a contract with Florida Gas Transmission to provide pipeline capacity to bring gas to our retail gas customers. At the time we signed that contract we had to elect either a right of first refusal or a ten year rollover option. Looking at our crystal balls, we decided to try the ten year rollover. The ten year rollover gives us the right to extend the contract another ten years, continuing on the relatively favorable FTS1 rate. There are two firm service rates on the pipeline. It's kind of like having two pipelines rolled into one. People who came along later and got capacity later on found it to be more expensive. They have what's called an FTS2 rate, which is about twice as high as the FTS1 rate. This is our opportunity to provide notice that we would like to extend that contract another ten years. Really, the only alternative for us is to let the contract go at this point. We made the commitment with those two choices ten years ago. It is a little bit complicated, because in the ten years that have gone by we have aggregated that contract with other members of FGU's all requirements project, which means FGU now holds the contract, along with several others, in their name, but they keep track of our agreement, separately, and we have the right to take it back if we ever leave FGU. So, they do ask us every time something affects that contract, what we would like to do. He recommends we go ahead and notify FGU to notify FGT that we would like to extend that contract ten more years.

Motion by Mrs. Cully, seconded by Mr. Perona and unanimously carried to authorize staff to send a notification letter to Florida Gas Utility for election of the ten-year rollover option for Florida Gas Transmission's transportation of gas to the Fort Pierce Utilities Authority.

Mr. Ed Leongomez, Superintendent of Power Resources, presented a request for approval of the form of contract and authorization for the Chairman and Secretary to execute and staff to develop an agreement with a suitable counterparty for sale of Sulfur Dioxide credits.

Mr. Leongomez said this item represents a contract for sale of unused emissions credits. Last year we brought this before the Board for the first time. The sale price per credit was about \$600 to \$700 per credit. This year it has jumped up to \$1,500 as of this printing. This is an opportunity for some additional income from the power plant. The contract before the Board is blank. There is no information in it at this time, because we don't know what the amount is or who the counterparty will be.

Mr. Perona said we keep getting SO₂ credits from EPA all the way up through 2009 and an additional ten to 99 tons after that. Does that transfer over to the other plant or do we just get credits as long as the King Plant is active. Mr. Boudreaux said he thinks we will continue getting credits after the plant is retired. Mr. Perona said we may as well just leave the sign out front, because this is getting to be a good moneymaker. Mr. Leongomez said the reason we've chosen to cut off the sales in a couple of years is the return you get on those credits decreases, significantly, after a few years. We will wait a few more years and see what the market looks like.

Mr. Drummond asked if there is a floor that needs to be placed in the motion, so we don't sell them for less than we received before. Mr. Leongomez said if the floor fell out on these credits, we wouldn't be selling them. That might be helpful. He feels a floor of about \$700 would probably be reasonable.

Mr. Perona said last time we did this we talked about using the money to lower our gas costs. Is that what we plan to do with this money, too? Mr. Leongomez said it was used to lower the electric costs. Mr. Boudreaux said he had this discussion with Mr. Varella, and we decided to add it to the PCA to reduce the cost to our customers. It will be fairly miniscule in the over all plan.

Motion by Mr. Perona, seconded by Mr. Drummond and unanimously carried to approve the form of contract and authorize the Chairman and Secretary to execute and staff to develop an agreement with a suitable counterparty for sale of Sulfur Dioxide credits with a floor of \$700 per credit with the monies received to be used to reduce the PCA.

Mr. Frank Varella introduced a presentation of the Florida League of Cities Automatic Meter Reading Systems Report. He explained about a year ago the Board commissioned this report. Staff has been looking at AMR for the last ten years or so, but over the last ten years there had not been a system that evolved to the point that all systems could utilize its capabilities. Today, we have with us Tom Babington and Sherry Hilly with the Florida League of Cities who will give the report and make a recommendation. They have worked very hard coming up with a comprehensive report and a thorough look at the various AMR technologies available. When Mr. Babington is finished with his presentation, Mr. Varella stated he would like to address how we will fund this over the next five or more years.

Mr. Babington advised the Board his presentation will highlight some of the things they have been doing for the last year, specifically, the last six months, in looking at the requirements for automated meter reading. The point, today, is to ask the Board for approval to proceed with negotiations with a particular company, Cellnet, Inc., for their solution for automated meter reading and, also, to proceed

with two pilot projects within your service area. One is within Gator Trace and the other is Sheraton Plaza. They have indicated two costs on the opening page of the report. One shows the pilot project will cost about \$250,000. Long term costs over a 15 year period will be about \$7.7 million to grow out the system. Very important to the project, itself, was the process we used in terms of due diligence and making sure we've looked under every file or folder you have kept. Your project team has been looking at this for over ten years. There is a lot of information that has been gathered and a lot of vendors have been spoken to during that time. In addition to that, we performed our own individual research and put together an invitation to propose and went through a process that shows you we ended up with two very tight competitors, Cellnet being the one recommended.

Mr. Babington further stated it was important to the project team to be focused as pointedly as possible on some of the particular needs that you have. We went through a work session and a facilitated work session and ended up talking about the improvement of accuracy, the improvement of speed and efficiency in Customer Service. No matter how many others we talked about, those were the three that kept coming up to the top of the list. As a result, when we put together the invitation to propose, we made sure those were highlighted, and that any vendor who was proposing understood those things were going to be important to you in the near term. In the long term, load management, forecasting, outage detection were things we knew were going to be impacted because of the types of data that would become available.

Mr. Babington discussed the two pilot projects. He did quite a bit of research for the UA in looking at how pilot projects have been conducted by others around the country. Typically, he found those were done in rural areas and some in urban areas, as a way of balancing each other. Some areas have no rural areas or urban areas. The project team looked at a variety of different service areas and picked one in the north and one in the south, different types of neighborhood and retirement communities. One thing we wanted to see were areas with all utilities that could handle gas, electric and water. We wanted to show we had a pretty good mix of gas, water and electric in the pilot project. Part of what goes on here is called proof of concept. Does it work? Can you go out and put a radio on a meter and collect the data the same day? All the evidence says, yes, you can do that. A number of companies all around the country do that every single day. Can we address loss and tampering issues? Yes. That is what we are going to find as part of proof of concept. Can we do disconnect on demand readings? Yes. It will be demonstrated in the community.

Mr. Babington said a very important part of what we know about this is communication with the ratepayers, communication with the customers. We have worked with the UA in putting together what we think are some of the best practices in terms of notification: which doors to knock on, what types of horns you sound, what types of advertisements you take out. You tell those people in those service areas that you are coming in and what you are going to do. You tell them what is going to be different, when you will be there, what you will look like when you get there. You tell them these people are going to be changing out their meters, adding radios, and some other construction in the neighborhood. You tell them between which periods of time you will be there. Once you tell them, you go back and tell them again. Those are the best ways which have been used around the country where it works most successfully. Once you have gone into the neighborhood, you leave them a note that says you were here today. You will tell them we said we would be here today, and we were here, today. Then, you send them a note saying during the past two weeks, the changes we proposed to be made, have, in fact, been made. Those are the things the customers want most. They want to be kept in the loop. That is going to be part of this pilot project.

Mr. Babington said he would like to talk a bit about the technology, itself. There are a couple of different pieces here that are critical in terms of how they build up in order to pass information. Information is collected at the meter. There are residences with meters and each of those meters has a radio associated with it. Those radios can transmit signals in multiple directions. The signals they send out are looking for devices called concentrators. Concentrators are larger radios that will be hanging from poles or mounted on buildings and will be collecting all the data they hear being transmitted into them. Those concentrators, as radios, further push the signals out to what are called end points. End points are larger, more powerful receivers, radios that are going to be able to leverage the fiber optic network that you have in place now that connects many of your substations and pass that data back to a computer host. The information is generated and captured at the meter, from the meter to the concentrator to an end point and out to a host computer. That happens every single day, multiple times during the day.

Mr. Babington said the cost estimate for the pilot programs is \$250,000 based upon the bid that was put out in September and is now subject to negotiation. Your senior project team will sit down with the vendor and look at those two areas and trace out exactly what is needed for each of them, numbers of devices and meters that will go into place. They will end up with a final number as to how much it is going to cost, how long it will be run, and the types of data you want to look at on a regular basis. The next figure he showed the Board is the set of the actual meters, themselves, network components, host components. These come up to about \$4.9 million for the 50,000 end points that you have, today. Over the next ten years, you are looking at 20,000 end point growth. In the case of water, that is a 103% increase. He believes it is 4% in electric and 18% in gas. We included the cost of those meters during that period, as well as, what we saw as the operating costs in order to show you the total investment over that period of about \$7.6 million. Those numbers are not hard or fixed. They are subject to negotiation. He thinks you will want your negotiating team to look at how best to hold down those unit costs over the longer years. The meters, in many cases, will be looking at a 20 year lifespan. The electronics and hardware are not. When he talks about radios and concentrators, that technology is subject to change. Those types of things will be changing out over the years. There is no way he can tell the Board those will last for 20 years. They have changed over the last 20 years, and they will continue to change. The idea of networking in terms of how you best support your infrastructure is one of the fastest growing areas. Today, this is one of the more advanced designs that is in use that has a few years under its belt.

Decision criteria is criteria used as we measured the effectiveness of the different proposals we looked at, as well as, those criteria that should be used as part of the negotiation. We liked the idea that there had been a long history of use of the radios from the proposed vendor. We liked the idea that there is a synergy with the Cogsdale product in two different ways: one, it is working off the exact same database; that is, a Microsoft Sequa server data base. In many other cases, other utilities have had to go and build middleware or purchase middleware to sit in between these divergent data bases in order to get things to work together. That is something you are not going to have to do. You said you wanted to work with a seamless data base solution. The other potential here is that the data you pull together can be also modified and put into format that is customer user-friendly, so a customer can go to your website, pull up their own account information, and see on a regular basis just how much energy has been used for water, gas or electric. It is a great sense of ownership by pushing that kind of power out to your users. There are decisions they can make, and they will make, that they cannot make today.

Mr. Babington said we also looked very closely at some of the reference points we had. In the case of Austin, Texas, when asked how they know how much money they will save, they said they know there

will be a difference in the disconnects. They knew they would not have to send people out in the field on a regular basis to do readings for turn ons or turn offs, because it can be done, automatically. They knew there were a number of things they could save, but they really didn't fully understand and appreciate the areas of new opportunities available to them until they got into the pilot project and actually put feed in the street to see exactly what was taking place. Even as they went into the implementation they would modify their business case as to what it was they wanted to get done. Mr. Babington said we made a field trip to Jacksonville Electric Authority about a month ago. We spent a good part of the day meeting with a number of their senior engineers. The project staff from the UA went up and met with their counterparts and talked about some of the implementation issues. The technology from Cellnet that is being used in Jacksonville is slightly older than the technology the UA will be buying. One of the things he found interesting is that as Jacksonville talked about problems they had, they would look across the table and say, well, you are not going to have these, because the newer product has solved those problems. They were as enthusiastic about the product we are looking at as UA folks were. Jacksonville Electric Authority has become a major partner with Cellnet to the tune of about \$157,000,000.

One of the last things he would like to talk about has to do with FPUA's future positioning as to what you will be able to do so you are satisfying the objectives you started off with, as well as, really giving yourself and the community some positioning to do some things you haven't been able to do before. The things he thought were most important to that are the data base and how easy it will be to work with the Cogsdale system for Customer Service and the two-way on the electric for disconnect options.

Mr. Babington said we would be looking for a motion from the Board to proceed with negotiations with Cellnet and to go ahead to negotiate to make those pilot projects happen, so that the project team can come back at the end of that and say we completed negotiations; here's what we want to do; here is what the pilot projects are all about.

Mr. Drummond asked if there is not an education component associated with this ahead of implementation in the pilot project areas. You do not contact the customers that are going to be affected in the pilot area? Mr. Babington said, absolutely. All the customers will be contacted. Mr. Drummond asked what kind of education process do you go through. Mr. Babington said, typically, what you find is there will be mailers sent to the customers in bills, as well as, separate mailers. There will be door hangings. If there are community meetings, the idea is to try to get a presence at those community meetings to explain exactly what is taking place. There will be television commercials to the extent that you can do PSA's to announce changes coming in the community specifically to a certain community. Once the work has been done you can let the customers know that you have performed the work you said you were going to; here are what the changes will look like in your meter; here is what you may need to do or may not need to do in the future. Mr. Drummond asked what Mr. Babington has in the way of customers' ability to know they are clearly getting accurate readings as a result of this new technology. Is there a back up way they can confirm their readings are accurate? Mr. Babington said one of the ways is the person can actually do a reading, as they do today, and it can be taken on line by the customer service center to verify the readings without somebody going out in the field. One of the things we know in the industry regarding accuracy is you have meters that are 20 years older that are somewhere down to an 80% accuracy. As a result of new meters, regardless of whether you did a new infrastructure network with it, if you were just putting in new meters, you would be seeing 98 to 99 percent accuracy on the readings. Mr. Drummond asked if Mr. Babington has found, historically, that there has been any reluctance in the communities to be considered as part of a pilot program. Do these two communities have a say or is it, basically, our call at this end? Mr. Babington said it is your call at this end in terms of which areas might be best suited

and to do two instead of one, so you feel there is some balance. Apparently, the project team felt in that way there was some balance in the community by looking at doing two, instead of one. He isn't sure he understands Mr. Drummond's question correctly.

Mr. Drummond said he has a belief, and it may just be him, that we have certain communities that already believe they are not getting accurate or complete readings, and we're now going to subject them to new technology, which he doesn't know that they have bought in to. He is concerned about that. Mr. Varella said one of the reasons we selected Sheraton Plaza is because that is probably an area where we get most of our complaints stating they have not seen a Meter Reader read their meters. This was one way we would be able to confirm to them that their meter is being read, because we have AMR technology there. To balance that, we wanted to do the Gator Trace area, and we have all three types of meters, and that would be a good balance. Mr. Drummond said he doesn't disagree with that, but it seems to him that what we would want to do would be go out and get them to buy into it and say this is one of the reasons we're coming in here with this technology. We have over 1,000 AMR meters in our area already using Itron technology, and they are being read by our radio readers, either by walking by or driving by in vehicles. To a degree, we built some credibility with our customers in that respect. Mr. Drummond said he understands Mr. Varella's side. Mr. Varella said the way we are going to build credibility with our customers, once we get it in, is when they call us and say we didn't read their meter, and we say, yes, we did. We can tell them to go out and read their meter right now, and we will tell them what the meter reading says, and we will be able to query the system. It will give us an instantaneous read back. The customer may say it is 398, and we will say it is 398. Then, they will see that it is correct.

Mr. Perona said when we had comments from the public from that particular area of concern, he recalls people that parked cars over meters that made it inaccessible just to prove the human factor wasn't working. The message he got was that we need to get something together to give them a more accurate read, because they don't believe the read we have right now. He understands what Mr. Drummond is saying, but he looks at it a different way. It is like they are saying the UA needs to get a better form of identifying what they, as consumers, owe, and it better have a better chance of being accurate. He isn't saying we won't have questions about it. He thinks the plan today is a great attempt to come up with a better plan. Mr. Varella said this will not solve our two foot of sand over a meter problem, but as far as cars being parked over meters and other obstructions over our meters, it should resolve them. One of the things we liked about the Cellnet technology that the Sensus technology didn't have was that Cellnet used a mesh technology where they would place the consolidators such that a meter could transmit a radio wave and the radio wave could be picked up by more than one or two consolidators. In the Sensus technology there was a one antenna situation where that antenna would only be able to pick up the frequencies. That didn't give us the duplication we really wanted.

Mr. Drummond said what concerns him is, currently, our customer base, particularly that area, perceives reading a meter as somebody coming out and eyeballing both the electric, water and gas if they have it. So, if you're going to a new technology, rather than wait for complaints, he is wondering whether we can go out and cooperatively with this area, say let's read some meters and have them do it progressively, rather than waiting to handle it, reactively, after we receive a complaint. We can go to Mrs. Jones' house and say we are going to go out and read your meter and call the office and have them read it and see if we get the same thing. Mr. Varella said that is something we could do as we implement the meters. The one thing that will be different is right now the meters are analogue meters that have dials. The new meters we will be installing in the test area, especially from the electric side, are going to be digital meters. The customer will read 95321 on their meter instead of a bunch of dials, which will make it easier. When they get their bill, they will be able to see that; however, we will take

a proactive stance when we implement this system and, like Mr. Babington said, as we go and change those meters out, we will be proactive in letting our customers know that.

Mr. Varella said he would like to add one other thing. We do have a lot of our customers in areas where we have hard to read meters or we have bad dogs. We have put AMR technology in there; however, it is the Itron meter instead of the kind of meter we're proposing today. We are getting customer inquiries regarding the AMR meters already. We have 1,500 to 1,600 AMR meters in the field using Itron. Some of our customers who have had problems in the past with the credibility factor of getting their meters read are coming to understand that we are using AMR meters now. It is making them somewhat happy that their meters are being read.

Mr. Drummond asked if there has been a tendency when new meters are put in that you are going to get a much more accurate read than before. Mr. Varella said, absolutely. Mr. Drummond said in many cases that more accurate read might be a higher bill to the customer. Mr. Varella said we did an inventory of our meters, and we found at least one meter that was dated 1936. He thinks 40% of our meters were 1986 vintage and earlier. So, 60% of our meters were installed from 1986 forward. As we implement this system UA-wide, we will take a lot of old meters out of our system and rightfully, so, put in new meters, which will enhance our revenue stream.

Mrs. Cully asked about the timeline for the pilot program. Mr. Varella said we would probably like to get it started by March and have it wrapped up by July or August. Mayor Benton said that is when the bills are the highest. Mr. Varella said the pilot program will stay in tact. We won't take those meters out. We will buy that system for those two areas. It will prove or disprove what we believe about this system. If it proves what we believe about this system, we will continue to budget to do the pilot system UA-wide over the next five to seven years.

Mr. Summerhays said we need to make sure we have an organized education program. He wouldn't restrict it to Sheraton Plaza. There are some people in Gator Trace who can get real ornery if they think you're charging them too much. He thinks the education program is very important, and we ought to put an emphasis on it. Mr. Varella said he agrees, and we will take a very proactive approach regarding it.

Mr. Koblegard asked Mr. Varella if he feels the new, digital meter is as tamper-proof as the old mechanical meter. Mr. Varella said one of the things we like about the new system is that it tells us when there has been an interruption of service. Our Meter Readers don't have to notice it. A neighbor doesn't have to notice it. If there is an interruption of service, it sends a signal through the system and lets us know there was a meter interruption, so we can be proactive instead of reactive. That is one of the other great advantages of this system and one of those intangible, positive enhancements to your system that you get out of it. Digital meters are very reliable and probably even more so than the old mechanical meters. If someone even messes with one of them, it sends a signal through the system and it is documented. That is the date and time stamp.

Mrs. Cully asked about hurricanes if the meters are destroyed. Mr. Varella said one of the things we found when our consultants talked with either Lee County or JEA is this technology is so reliable that they had better results with this than they did their old system. Because of the mesh technology where the meters communicate with more than one consolidator, they got their meter reads in through the system, because if one consolidator was down and another one was up, it would go to the one that was up and working, because it could cross communicate. If the meter wasn't there anymore, you would know the meter reading didn't come in, so you would know you had a problem there. If the meter was

moved, you would know, because it would go to a different consolidator than you thought it would go to. Mrs. Cully asked about the cost of these meters compared to what we have today and if there was a hurricane, what would it cost to replace them? Mr. Varella said the cost is greater. It is about four or five times greater than what we are experiencing now. The way he envisions implementing this system is budgeting money through the annual budget process. The pilot programs are budgeted in this year's budget. If this pilot program works the way we anticipate it to, next year we will budget another sum of money and do this over at least a five year period. In addition, we have in our service fees resolution that new developments pay for AMR technology, so as new developments come into our system, they will be required to pay for this technology as they come in. That will help reduce our over all cost.

Mr. Summerhays asked if we have analyzed the savings involved with this. Mr. Varella said one of the problems that we see regarding quantifying the savings is that there are a lot of intangible savings. We have noticed through other systems that converted to this, when they first looked at their savings they looked at the things they knew about, and as they proceeded, they found more savings than they thought about. We know about some of the things it will save us, especially, the turn on and turn off of meters, theft, but it is very difficult if not impossible, to quantify them. Mr. Summerhays asked if it will eliminate all or nearly all of the Meter Readers. Mr. Varella said he hasn't been involved in one system implementation in his career where the actual displacement of staff occurred. It gives you the ability to reassign different type of work to staff. That is what we see here. We see that although it may reduce our Meter Reader force, we are going to need other types of skills, like replacing batteries, verification of theft, etc. We don't actually believe it will reduce our overall staffing of the UA at this point.

Mayor Benton asked if we know what percentage of public utilities are using these automated meters now. Is it something everybody is getting into? Mr. Varella said he thinks it is what utilities want to do now. Jacksonville has gone with it. Lee County Co-op is going with it. Vero Beach and KUA are thinking about it. There are a lot of cities that are thinking about it. Austin, Texas, is going with it. It is where everybody wants to go and all the PSC's want utilities to go. Mr. Babington said it is the direction that everyone is taking. Mayor Benton said he was wondering public versus private. Mr. Babington said he can't give an answer to that. Mr. Varella said if Orlando is not on it, they are moving toward it. Mayor Benton said at a time when rates are going sky high, is this going to fuel the fire by people saying you are putting in new meters, and my rates are going up because of it? Mr. Summerhays said our rates haven't actually gone up, just the cost of fuel. Mayor Benton said the consumer looks at the cost of their electricity and services as going up. Is the cost of implementing the new system going to be passed on to the customer? Mr. Varella said all of our costs actually are passed on to our customers. He thinks over time it will help in utility savings. Mayor Benton said if this were being implemented in January versus July, it might be easier. He can picture people seeing these new meters being put on when they get their highest bills. It is going to be a nightmare. Mr. Varella said we are only talking about 1,800 meters in the project out of the entire 50,000 meters that we have. Then, we're going to take it piecemeal, as we go. Although we're using Itron now and moving toward Cellnet, he doesn't believe we will ever be a total Cellnet customer. We will probably always use Itron in some cases, because it is not economically feasible to put Cellnet everywhere. We will always want to use Itron in those cases.

Reverend Davis asked to speak. He said after Hurricane Jeanne his meter was broken down, and the UA put the digital meter on his house. He would like to say on behalf of the company that he has no complaint about it. He does advise that, where he accepted it, there should be a little more education. It took the public a long time to be able to read the old meters. Once he saw the new digital meter

come in, he comprehended it. His bills came back to normal. When Hurricane Wilma came through he thought his bill would skyrocket, but it was normal. It really does a good job. He would like to speak in staff's behalf. It does a wonderful job. Mr. Summerhays thanked Reverend Davis for his comments.

Mr. Drummond said Mr. Varella indicated the cost would be passed on to our customers. Is this going to be passed on system-wide or just in those two pilot areas? Mr. Varella said we're not going to pass any cost on. That is just absorbed in our regular budgeting process. Our base rate has not changed since 1996. We are, currently, in the process of doing a rate study, and based on that rate study we will have to see whether or not we need a base rate adjustment. We are not moving very quickly on that rate study, because of other circumstances. Mr. Boudreaux said the costs will be spread system-wide.

Motion by Mr. Perona that we move ahead with negotiations with Cellnet. Mr. Drummond seconded the motion for discussion.

Mr. Drummond said he agrees with what was stated earlier about technology long overdue. He supports us moving forward in that vein, but he would want us not to implement this until we evaluate what our education program is going to be. He thinks we will save ourselves in the long run if we get as much information out there ahead of implementation as we can. Mr. Summerhays said he would agree with that. Actually, the recommendation is to move ahead into negotiation. He asked if Mr. Perona would like to accept an amendment to his motion to include another report to the Board prior to implementation, particularly concerning education. Mr. Perona said it has to come back before this Board anyway, so that would be a moot issue. At that moment in time we can do that and at that moment in time, he thinks we can insist upon the educational plan, so he would not want to amend his motion.

Mayor Benton asked if we have a newsletter that goes out with our bills. Mr. Summerhays said yes. Mayor Benton said his suggestion would be to start now letting the public know we're considering doing this. Mr. Boudreaux said we have what he considers an excellent marketing office, and we can do exactly what Mr. Drummond has suggested, what Mr. Perona is expecting and what the Mayor is expecting. We can develop a program to educate the public and can bring this back to the Board, probably at the time this comes back to the Board for approval of the negotiated contract. It will be a comprehensive marketing campaign.

The roll was called and the motion unanimously carried.

Mr. Ed Leongomez presented a request for approval of a contract with Porter Roofing for replacement of the King Plant roof. He explained in 2004 part of the roof on the King Plant was destroyed. It was replaced after the storms by Porter Roofing using a Firestone roofing system. After the 2005 storm, the roof was destroyed, once again. It looked like it was something that could be a warranty issue. A consultant was asked to look at the roofing, the damage that was caused, and determine the cause of the damage to determine if this was a warranty issue. The consultant came back with two possibilities. One, was that wind uplift caused the damage, which, essentially, would be an FPUA problem and the other was an attachment problem, which would be the roofing company's issue. That created a situation where a compromise was necessary in order to move forward. The original cost of the roof was \$315,000. The proposal by Porter Roofing and Firestone is \$85,000 for the same roofing. It would seem like a fair arrangement. There is an additional indemnification for any damage caused after the 2005 storm and there wasn't any significant damage.

Mr. Perona asked if the warranty issue then goes back to the original date or will the new roof carry an additional warranty from the repair forward. Mr. Leongomez said the improved attachment system will have a new warranty. The timer starts all over again. It is a 15 year, unlimited warranty.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve a contract with Porter Roofing for replacement of a portion of the King Plant roof in the amount of \$85,000 and approve a release indemnification agreement with Firestone Corporation and authorize execution.

Mrs. Betsy Schnebli presented a request to award bid to Mastec of North America, Inc. for a unit price contract for installation of underground electrical conduit systems.

She said we received four bids. Out of the four bids, the lowest one was disqualified due to no bid bond. Upon reviewing the other bids and assessing the projects we will have over the next few years, Mastec was the lowest bidder based upon some of the decorative lighting we install.

Motion by Mayor Benton, seconded by Mr. Perona and unanimously carried that Bid 5575 be awarded to Mastec of North America, Inc. for the Unit Price contract for installation of underground electrical conduit systems in an amount not to exceed \$1,500,000 for the period of March 31, 2006 through September 30, 2006, with up to five annual renewals with an annual increase based upon the *Engineering News Record* index.

Mr. Boudreaux introduced a request for approval of purchase of Sternberg Decorative Lighting Poles, fixtures and spare parts. These are the lights the City has been using, and we are buying them directly from the manufacturer. Mr. Perona said the City is reimbursing us for those lights. Mr. Boudreaux confirmed this.

Motion by Mayor Benton, seconded by Mr. Perona and unanimously carried to award bid 5590 to Sternberg Lighting for purchase of Sternberg decorative lighting poles, fixtures and spare parts as a sole source in the amount of \$163,503.22.

Mr. Richard Stenberg introduced RFP 5550 for purchase of an odor control system. He explained this is for replacement of the damaged odor control system at Lift Station A. During Hurricane Jeanne, the structure was totally demolished. We took a deliberate approach in the replacement of the odor control system. We had a committee that went to other utilities in the State and looked at three or four different technologies. We settled for what turned out to be the lowest bid from Peterson & Associates, Inc. of Mount Dora. That is our recommendation.

Motion by Mr. Drummond, seconded by Mr. Perona and unanimously carried to accept the lowest and best proposal from Peterson & Associates, Inc. in an amount not to exceed \$99,829 (includes \$3,000 expense for possible concrete demolition of original odor control base) for purchase of an odor control system.

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Mr. Summerhays asked Mr. Koblegard if there is any progress on the lawsuit by Atlantic Coast Recycling. Mr. Koblegard said he drafted the complaint, sent it to Bill Abramowicz to approve his timeline and facts, and is waiting to hear back from him. We will, then, be ready to file.

Mr. Drummond said he has had conversations with both County Commissioner Chris Craft, as well as, City Commissioner, Eddie Becht, and he believes it is already in the works to try to pull together a joint meeting as quickly as possible. He sent over the power point presentation and staff has had a chance to have some input into it, and he thinks they are going to be trying to get back very quickly with regard to it.

Mr. Drummond said he is the representative from this Board on that ad hoc committee, but he would ask that the Board assign someone else that task. He is going to be out of place for a few months, and he doesn't want to slow the process down. Mr. Tom Perona said he will volunteer to take Mr. Drummond's place on the committee. The other Board Members agreed.

There being no further business, the meeting was adjourned.

ATTEST:'

Secretary

Chairman