

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, MARCH 7, 2006, 4:00 P.M., CITY COMMISSION CHAMBERS.

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

Others Present: Director of Utilities; Director of Corporate Services; Director of Electric/Gas Systems; Director of Water/Wastewater Systems; Director of Shared Services; Community and Corporate Relations Manager; UA Attorney.

Chairman Summerhays called the meeting to order.

The Invocation was given by The Reverend Sharon Britcher of Mustard Seed.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Mr. Drummond requested that Item 2 be removed from the Consent Agenda.

Motion by Mr. Drummond, seconded by Mayor Benton and unanimously carried that the item listed on the Consent Agenda be approved:

Approval of the Minutes of the Regular Meeting of February 21, 2006.

The Board next considered Item 2, which had been removed from the Consent Agenda.

Motion by Mr. Perona, seconded by Mrs. Cully and carried that Mr. Darrell Drummond be excused from the meeting of February 21, 2006. Mr. Drummond abstained.

The following letters of appreciation were noted:

- 1 A letter was received from Edith Ruffin of 2804 Avenue I expressing appreciation for the services of Keith Gable and Ciro Sotelo of the Natural Gas Operations Department in installing her new wall space heater.
2. A note was received from Mandy Burkart of Wellington, Florida, thanking FPUA for assisting Florida Power and Light in their recovery efforts following Hurricane Wilma.
3. An e-mail was received from Linda Neill of Riverwoods Drive thanking Bill Abramowicz of the Commercial Services Department for explaining increases in their electric bills at their homeowners' association meeting.

Mrs. Betsy Schnebli introduced a request for approval of additional funding for Mastec North America's unit price contract. She explained this is a request for additional funding for the existing unit price contract. We had bid this, but the bid is currently under protest, and we are requesting these funds, so we can continue work until the protest is resolved.

Motion by Mrs. Cully, seconded by Mayor Benton and unanimously carried to approve additional funding in the amount of \$200,000 for Mastec North America's existing unit price contract for

installation of underground electrical conduit systems to construct and install a duct bank on Seaway Drive from Causeway Substation to Harbour Isle.

Mr. Frank Varella introduced a request to accept the FY 2005 Comprehensive Annual Financial Report. He explained that on page 13 of the report we have an unqualified opinion from our auditors. He would like to compliment the Auditors and staff for doing such a good job on this audit. It was the first year in his entire career at FPUA that we changed Auditors. It went rather smoothly, and he would like to commend Jim Hartley, a partner of DiBartolomeo, McBee, Hartley and Barnes, for the great job he and the two staffs did in putting together the report.

Mr. Varella pointed out on page 23 some graphs showing our competitive average, monthly residential utility bills as of September, 2005, and February, 2006. He compares FPUA to Port St. Lucie, Vero Beach and North Hutchinson Island for 7,000 gallons of water, sewer and 1,000 kilowatt hours of electric. As you can see, FPUA fairs very well in both categories. In September we were a little lower than North Hutchinson Island and Port St. Lucie and higher than Vero. In February 2006, we were the lowest on the chart. That is how we stack up to our neighboring utilities.

Mr. Varella introduced the Auditor, Mr. Jim Hartley. Mr. Hartley stated the Auditors issued an unqualified report with a clean opinion on the financial statements, internal control and bond compliance. We also reviewed the CAFR for this year's compliance and had no findings with it, so we feel you will have no problem receiving the certificate of achievement this year. In conjunction with the audit, we issued a separate management letter, of which the Board has a copy. This is, basically, going through the audit recommendations we are making to the Authority. We had two items. One was with the reconciliation of subsidiary letters to the General Ledger. It was noted in the audit that certain subsidiary schedules were not reconciled to the General Ledger in a timely manner. Management response is also there. The other was an item with the review of construction work in progress. Construction work in progress is a review subsequent to year end. This was primarily due to the hurricanes, and management's response indicates that. This is adequate and will be fine going forward. Regarding the first item he mentioned, that was in relation to developing the new system. You are still in the process of doing that, so we feel that will be remediated, as well.

Mr. Drummond referred to page 17. At the top where it states "Current Assets," it showed a decrease of 16.4%. He is curious as to what that is. He suggests it had something to do with the hurricanes. Mr. Hartley said that is correct. Mr. Drummond asked if that is mostly cash. Mr. Hartley said it is mostly cash. He referred the Board to page 24. It shows current assets in comparison to prior year. Most of it is equity in full cash and investments. You also had land up for resale, and it was sold last year.

Mayor Benton said he is glad to see it appears everything went well with the new Auditor. He knows there was some concerns early on from the UA as far as the new Auditor not having experience on the electrical side. He guesses everything went very well.

Mr. Hartley extended his gratitude to FPUA staff for helping them get through this first year.

Motion by Mr. Perona, seconded by Mr. Drummond and unanimously carried that the FY 2005 Comprehensive Annual Financial Report be accepted as submitted

Mr. Bill Thiess introduced a request for approval of a Specific Authorization with CH2M Hill. He explained this is for consultant's fees to prepare the State Revolving Fund Applications for the

mainland water reclamation facility. Probably, the low end of what we are going to spend in that area over the next three to three and a half years is about \$100,000,000. We don't know where the high end is yet. It depends on what happens with the County. The State Revolving Fund provides the lowest interest rate of any sources we have for funding. Based on what we've looked at in recent years with other utilities getting these loans, it looks like the upper limit is in the \$20 to \$25 million a year range. That was for some of the bigger utilities. For a project like this one, we stand to receive something close to that. From what we've gathered from the State Revolving Loan folks, we might be able to get an interest rate as low as 2.3%. That is a good full percentage point lower than anything else we can find with FMPA Pooled Loan Fund or any other sources. By the time you look at the amount we might be able to finance for this, which might be \$40 to \$60 million, that 1% translates to hundreds of thousands of dollars per year in difference in debt service. We are asking for approval for this Specific Authorization to submit those applications and get our name in line for those funds.

Mr. Boudreaux said he believes that is a fixed rate, as well. Mr. Summerhays said that is an excellent rate for a fixed loan.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve Specific Authorization No. 2006-02 with CH2M Hill in the not to exceed amount of \$42,268 for preparation of preconstruction and construction State Revolving Fund loan applications for the mainland water reclamation facility.

Mr. Tom Richards presented a request for approval of a reimbursement agreement with Florida Municipal Power Agency for Ed Leongomez.

Mr. Richards advised this agreement is the result of a proposal made by FMPA for a Project Manager to fill their open position . We started working on this in October. It is a good fit for us, because the activity at our current plant has reduced, significantly, both in operating and maintenance. Mr. Leongomez is looking forward to this, because he will be operating the new power plant and is interested in how the new plant is designed and built. This agreement, essentially, says we are renting Mr. Leongomez to FMPA for up to 90% of his time for the next two years or so, until the new plant is built. We will bill FMPA for his time and expenses based upon the time he spends on FMPA business versus ours. We would expect him to spend 90% of his time with FMPA. This agreement is retroactive to December 1st. FMPA has approved it, and if we approve it tonight, it will become effective, and we can bill FMPA back to December 1st.

Mr. Perona said he would like to hear the clarification that the agreement has been reviewed for all the seniority aspects, benefits and retirement. We are just actually subletting Mr. Leongomez to FMPA. Mr. Richards said that is correct. We were very careful to protect his status as our employee, so that his benefits and other accruals that come as a normal part of his employment continue during this period of time. He is on our payroll and receives our benefits. At the end of the agreement, we expect Mr. Leongomez to remain our employee, fulltime. Mr. Perona said, assuming the plant comes on line and Mr. Leongomez has something to do with running the plant, he would still be a UA employee. Mr. Boudreaux said yes. We haven't worked out the O&M Agreement with FMPA yet, but that is one of the things that was in the Memorandum of Understanding approved by the Board, previously. We will operate and maintain the plant under contract to FMPA, and Ed Leongomez will be the plant Superintendent. Mr. Richards said all the employees who operate the new plant will be our employees on our payroll.

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Mr. Koblegard asked if Mr. Leongomez will still work out of the office at the King Plant until the new plant is operating. Mr. Richards said that is our expectations. He will be doing a fair amount of traveling, also. Mr. Koblegard said we will still have day to day contact with him. Mr. Richards said yes.

Motion by Mr. Drummond, seconded by Mr. Perona and unanimously carried to approve the Reimbursement Agreement with Florida Municipal Power Agency for Ed Leongomez.

Regarding the next agenda item, Mr. Summerhays announced that Engineering, Design and Construction, Inc. is wholly owned by his son-in-law, and he will be abstaining from the vote.

Mr. Bill Thiess presented a request for approval of a Water/Wastewater Supply Agreement between FPUA, KB Home Treasure Coast LLC and Engineering, Design and Construction, Inc. for the Neill Farm Project.

Mr. Thiess said this is a relatively new Water/Wastewater Supply Agreement for developers. We modified it several months ago to include the Engineer along with the Developer and the Utilities Authority, which puts the responsibilities on the Engineer, that he needs to maintain through construction. It is standard, but it has some interesting twists. He referred the Board to a schematic on the fourth page of the agenda item. The north-south road is Jenkins Road, and Okeechobee Road is at the top. The northernmost project is Neill Farms. The one below it is Heritage Grand, both owned and developed by KB Home. The off-site utilities refer to the force main on Jenkins Road. For a temporary connection, there is a six inch force main already there that we can connect them to. There are water mains at two points on the property. The unusual parts of the agreement are spelled out in the agenda package. KB Home with the Neill Farm Project will do the engineering, design and permitting of the 24 inch force main. That is also the main that will, eventually, go to the mainland water reclamation facility. It is a main we need to finish very badly, and this is a mechanism to help us do that. The actual construction of the main will take place with the Heritage Grand project. KB Home will put up a bond for the entire amount of construction of this main. If they don't commence construction within 365 days of the signing of this agreement, they will forfeit the bond to the Utilities Authority along with plans and permits, and we can build the main. This agreement says that the Heritage Grand agreement has to be signed within 180 days of this agreement. In the Heritage Grand Agreement, we will write in a time definite for construction of the main, and it will be a prerequisite to service for Heritage Grand property. Between the two agreements we will lock in the construction of the main, and if it is not built, they forfeit their bond and we build it. If the Heritage Grand agreement doesn't get executed within 180 days, the responsibility to build the main along with design/permitting, falls back on the Neill Farm Project. The developer will pay the equivalent cost of a six inch main. The total cost of the project is about \$448,000. The cost for the 6 inch main is roughly, \$135,000. The Utilities Authority will be contributing about \$313,000. As far as the source of that money, the wastewater capital improvement charges for both projects will be more than enough to cover our contribution. It is a little bit complicated.

Mr. Perona said he is sure we have contemplated our usage in that area and know that 24 inches is pretty much everything we should ever need for that corridor. Mr. Thiess said the 24 inch was sized for build out of our system. Mr. Perona said all the property can develop and the 24 inch main will still be adequate. Mr. Thiess said in our lifetime, the 24 inch main will be adequate. Mr. Perona said he knows that going from a 6 inch main to a 24 inch main is four times greater, but, really, in the scheme of diameter of pipes, it is a lot more than that. Mr. Thiess said yes. It is, roughly, 16 times greater.

That will be our main trunk line from the entire north area, down by Angle Road, all the way to St. Lucie Boulevard, and west to the turnpike. Eventually, when we turn Lift Station A around and pump it west to the mainland plant, a lot of that will come down the 24 inch line, also.

Motion by Mr. Perona, seconded by Mrs. Cully and carried to approve the Water/Wastewater Supply Agreement between FPUA, KB Home Treasure Coast LLC and Engineering, Design and Construction, Inc. for the Neill Farm Project. Mr. Summerhays abstained from voting.

Mr. Tim Trewyn presented a request for approval of two post budgeted work orders. Mr. Trewyn said staff is undertaking many efforts to improve our ability to recover from a hurricane. This represents two of those projects. The Todd Center has two vital functions it performs early in hurricane recovery. Those are providing gasoline to vehicles, and some of the department's communications there depend on emergency power to operate when normal power is not available.

The 6th Street Project is much more substantial. The reason for that was when the other two Engineers and he walked through the project, they found the Customer Service-IS building has been altered a number of times. He will describe its electric distribution system as complex. All of that comes back to a single distribution transformer that, also, serves the Admin. Center next door. Looking at the complexity of the 6th Street building, they said it almost appears to be more straightforward to simply power both of these buildings near the transformer where all their service entrance conductors come in. That is the reason for the more significant cost. It takes a larger generator to power both buildings. There will be benefits to the staffs that work in those buildings. Another reason these projects may be more expensive than other generator projects you see, is that natural gas generators tend to be more expensive than diesel fuel generators. An alternating benefit to that is you don't have to have a fuel tank on site, holding diesel fuel and all the installation costs and problems that go with that. We are advocating using our own natural gas that we distribute. It has proven reliable.

Motion by Mayor Benton, seconded by Mr. Drummond and unanimously carried to approve two unbudgeted work orders, one in the amount of \$50,455 for purchase and installation of a generator at the Todd Center, and one in the amount of \$111,400 for purchase and installation of a generator at the 6th Street Complex, both amounts to be transferred from existing budget money.

Mr. Bill Baldwin presented a request to approve R. W. Beck's proposal to provide engineering services for the Lawnwood Substation Modifications.

Mr. Baldwin said there are two purposes for this modification. Those are to increase the capacity to the distribution feeders, and to install two capacitor banks, one on each end of the 13 kv bus. We have been working diligently in the past two years to improve the bridging between the substation, and the availability of power to these distribution feeders at this substation is limited by the regulators and exit conductors. Included in the project is an intention to reroute the exit conductors, which go out of the substation, underground, and most of them are riser poles immediately outside the fence. We want to relocate those further away and improve both the aesthetics and our ability to maintain and operate them.

Motion by Mr. Perona, seconded by Mr. Drummond and unanimously carried to approve R. W. Beck's proposal to provide engineering services in the amount of \$108,000 for Lawnwood Substation Modifications, plus a 10% contingency, for a total not-to-exceed amount of \$119,000.

Motion by Mr. Drummond, seconded by Mayor Benton and unanimously carried to approve emergency purchase orders greater than \$25,000 for Hurricane Wilma restorations.

Mr. Varella presented a request for approval of Resolution 2006-02. He explained that last year we set a Capital Improvement Charge for electric. We came back a few months later and modified it. At that point we needed to change the amount of the charge. Now, we find ourselves in a situation where we had a developer come in who felt he was overcharged. We took some guidance from one of our rate consultants to try to learn how to be fairer with our developers. That is what the resolution before the Board, today, accomplishes. It modifies our Capital Improvement Charges, and it authorizes us to refund the developers we may have overcharged. This resolution does not modify the typical residential home; however, as you add load in a large development, that computation times the number of ERU's, isn't necessarily accurate. That is why we are changing it and reducing it to base it on load instead of an ERU.

Mr. Drummond asked if Mr. Varella has any estimate of how much we will be reimbursing. Mr. Varella said it will be about 30%. Mayor Benton said it is hard to collect something and, then, give it back, especially when it is a developer. Maybe, we should put it into a fund as a contribution toward parks or something. He asked Mr. Varella to make that suggestion to the developers. Mr. Varella said he will make that suggestion to the developers as something they may want to consider.

Mr. Perona said he knows when we adopted this there were some developers out there who were not happy with some of the new charges we came up with based on surveys we've done. He asked if we are now more in line with what everybody else in Florida is doing. He said the developers should be a lot happier and expect these type of charges. Mr. Varella said he thinks we are the second utility in the State that charges a Capital Improvement Charge for electric. Vero Beach is the only other one. According to State law, investor owned utilities aren't allowed to charge Capital Improvement Charges. As he mentions this to other municipally owned utilities, they are intrigued. From what he understands at this time, the PSC is reviewing this to make sure we are not doing something that is out of line. Mr. Perona said he would like the people to know that we are looking at and examining everything that we do in setting policy to make sure it is fair and equitable to the people we serve. Mr. Varella said we look at all of our rates and fees, periodically, and whenever you walk on new ground, it is very delicate and at times it needs to be modified in order to find out where fair is. That is what we are doing.

Mayor Benton expressed a concern that developers may think since we lowered it one time, if they continue to complain, we'll lower it even more. Mr. Varella said our outside consultants have reviewed these charges, so we feel better justified now than we were before. Because this is new territory, we have to evaluate different methodologies in order to get to the right number.

Mr. Summerhays asked if Vero Beach is charging a flat fee or using a sliding scale. Mr. Varella said he doesn't recall what they are doing. They have been charging this fee for 20 years or more. He doesn't believe they have changed it, unless it was modified in 1987, when development was begun on State Road 60.

Motion by Mayor Benton, seconded by Mr. Perona and unanimously carried to adopt Resolution UA 2006-02: Reducing Capital Improvement Charges to New Commercial Electric Utility Customers.

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Mr. Boudreaux reminded the Board Members about the APPA Conference being held in Chicago this coming June. For those Board Members planning to attend, he suggested they contact Mrs. Hayes to make arrangements if they have not done so already.

The other thing he would like to mention is the news article in *THE TRIBUNE*, today, about FPUA inspecting transmission and distribution lines. That has been a topic of discussion at the PSC in Tallahassee forcing investor owned utilities to make public their plans outlining how they are inspecting lines to prevent catastrophes in the future. He pointed out that we have been getting a lot of good information into the newspaper about our utility system, and that is a credit to the Community and Corporate Relations Manager.

Mr. Drummond asked that the Board excuse him from the next Board Meeting, as he will not be present at that time.

Motion by Mr. Perona, seconded by Mrs. Cully and carried with Mr. Drummond voting "present" that Mr. Drummond be excused from the Board Meeting of March 21, 2006.

ATTEST:

Secretary

Chairman