

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, DECEMBER 4, 2007, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members present: Chairman, Darrell Drummond; Vice Chairman, Pamela K. Cully; Secretary, Robert W. Summerhays, Jr.; Deputy Secretary, Thomas K. Perona; Ex-Officio Member/City Manager, Dennis Beach.

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

Excused: Mayor, Robert J. Benton, III

Chairman Drummond called the meeting to order.

The Invocation was given by Chaplain George Crespo of Lighthouse International Worship Center.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Motion by Mrs. Cully, seconded by Mr. Perona and unanimously carried to excuse Mayor Benton from the meeting.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to approve the items listed on the Consent Agenda:

1. Approval of the Minutes of the Regular Meeting of November 20, 2007
2. Approved Revised Agreement between Florida Department of Highway Safety and Motor Vehicles and Fort Pierce Utilities Authority authorizing FPUA to conduct commercial license examinations.

The following letters of appreciation were noted:

1. A note was received from a customer, Jean Harvey, expressing thanks to FPUA for dedication and service provided and letting us know that our loyal customers appreciate us.
2. A letter was received from Delila McKenna, Advertising Director of *Main Street Focus*, expressing appreciation to Ann Corbin, Corporate and Community Relations Assistant, for her professionalism and "topnotch" service.
3. A letter was received from Mustard Seed Ministries thanking FPUA Electric Engineering Department employees for their gift of \$186 to the 2007 Annual Community Thanksgiving Feast.
4. Letters were received by Jason Mittler, Aaron Faullin, Laurie Martin and Tim Battle of the Electric Engineering Department from Fort Pierce Westwood High

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School thanking them for their participation in Westwood's Annual Career Day on November 15th.

Mr. James Carnes of the Water/Wastewater Engineering Department presented a request for approval of a post budgeted work order for relocation and improvement of water and sewer facilities associated with the reconstruction of Martin Luther King Boulevard.

Mr. Carnes stated in July of 2005, FPUA initially received plans for roadway and drainage improvement for Martin Luther King Boulevard, also known as 25th Street, specifically, between Orange Avenue and Avenue Q. Since that time we have diligently been working with the Florida Department of Transportation to design, engineer and finalize these plans, not only to facilitate the DOT's roadway construction requirements, but, also, to accommodate the existing utilities; i.e., water, wastewater and natural gas pipelines, during construction. These plans were finalized through this cooperative effort in August, 2007. Construction is scheduled for drainage and utility work in January, 2008, pending this approval. The project is anticipated to be completed in mid-2009. Through the evaluation of utilities in this corridor, staff has requested FPUA Board to approve funds in the amount of \$227,250, \$132,250 of which will be for water improvements and \$95,000 for sewer improvements. We anticipate using approximately 7% of these funds during the initial fiscal year. It is anticipated the remaining funds will be budgeted in 2009 for the remaining 30%.

Motion by Mr. Perona, seconded by Mr. Summerhays and unanimously carried to approve post budgeted work order in the amount of \$227,250 for relocation and improvement of water and sewer facilities associated with the reconstruction of Martin Luther King Boulevard.

Mr. Tom Richards explained a request for approval of the Treasure Coast Energy Center (TCEC) Operation and Maintenance Agreement with Florida Municipal Power Agency (FMPA).

Mr. Richards said the parties involved are Fort Pierce Utilities Authority and Florida Municipal Power Agency. FMPA is the constructor and owner of the Treasure Coast Energy Center currently under construction. The objective here is to employ FPUA as contractor to operate and maintain the plant when it becomes operational, which is scheduled for May 1st. Back in 2004, FPUA signed a Memo of Understanding with FMPA outlining a number of steps involving retirement of the King Plant, asking FMPA for a contract to operate TCEC and other details involved with that transition. This is one of the steps in that MOU. We are, for all practical purposes, renting about 15 employees to FMPA to operate the plant. They will cover all of the salaries and fringe benefits, administrative costs, and overhead. FMPA supplies everything else in the plant. There are no other expenses to FPUA other than the cost of those employees and their associated benefits. The agreement has a relatively short term. It is 28 months. It starts now, but the employees will have serious responsibility May 1st. The first expiration date is the end of the Fiscal Year 2010. The contract is set up to evergreen or roll over from year to year, thereafter, unless one of the parties provides six months notice that they want to terminate the agreement. He thinks that is good for both parties. This is a new venture for us. Neither one of us has done this before. If we find it is not working very well for either one of us, we have a very short period and can get out of it if we don't like it. He thinks we will find it quite satisfactory. As outlined in his memo, our motivation was,

primarily, to provide a continued employment base for our employees at the power plant. They are a skilled and highly paid set of class people and a couple of managers that we would like to keep employed on our payroll for the benefit of this community. In addition, it provides us, from an FMPA standpoint, a very reliable and trustworthy group of people operating the plant, so we can be sure this newest and most efficient and largest unit in FMPA's fleet will be operated in a very workmanlike and efficient manner. There are lots of details in the agreement, many of which were outlined in the cover memo that is going to FMPA's Executive Committee, who will be looking at this agreement Thursday.

Mr. Summerhays asked how many people are employed at our current power plant. Mr. Richards said he thinks we have 17 over there now. We are proposing 16 to be employed at TCEC. Mr. Summerhays asked if the two who are not going over there are being retrained or retained. Mr. Richards said we have not made the selection process yet. One of the employees will retire. We may have to reduce the force by one. That employee may be eligible for another job with FPUA or terminated.

Mr. Perona said FMPA has a contract with us for those employees, but they remain FPUA employees. As long as we have the contract with FMPA, we have purpose for those employees, but if we lose that contract for some reason, we would have to terminate those employees. Mr. Richards said that is a fair summary. Certainly there exists a possibility that if the contractual arrangement between FMPA and FPUA doesn't work out, FMPA has two choices to operate the plant. They can either hire another contractor or hire their own employees. In either case, he would think the successor operator of the plant might want to look toward our employees, first, to try to carry over their employment to the new arrangement. There is the potential for some of the 16 employees to be in continued employment.

Mr. Perona asked if this contact is something FMPA looked forward to or do they like outside contractors and to deal with outsiders rather than people from local utilities? Mr. Richards said he hates to speak on behalf of all of FMPA, but his impression is that they always like to work with the member utilities and their people first. If they have an outside contractor come in, it really is just a business relationship, and they have to be very careful of their contract and how it is written and administered to make sure they get value. An outside contractor is going to want to have a profit margin built in, and their incentive is to try to improve on their profit, so the contractor's aims aren't always in line with the memberships' aims. We don't have any profit built into the agreement at all. He thinks our motivation is to do a great job and bring pride to FPUA and to operate the plant in the best way it can be operated for the membership.

Mr. Perona said it seems highly skilled employees at FPUA now have two authorities, FPUA and FMPA. If that is that way things are being done, he can see a solidification of that and from an employee standpoint, it is a good deal for them, rather than having two authorities such that on any whim, they could lose their jobs. Mr. Richards said he wouldn't want to characterize the relationship at all as any kind of whimsical thing. It is very structured. The employees are being trained as we speak under the construction services agreement. They will be busy all the way through Christmas, being trained on the various systems being put into place, as well as, training from the vendors who are bringing things in like the cooling towers and pumps. They will come and do their own training. There is a big investment being made in these employees to make them productive and efficient. He thinks it is to everyone's

benefit to do that. At the same time, as part of this agreement, we will be developing an operating plan for this coming year and every year that will include what we expect from the plant regarding its performance and the operations of it. That lays out a plan for the employees and their expectations, so there will be measurements for availability and liability and heat rate and efficiency and that sort of thing that will be kept to determine how they are doing against those goals. It is well structured, and he thinks we will have a good idea how we are doing. He thinks we can do as well as any contractor.

Mr. Drummond said he gets more of a sense that for the employees, it is not two authorities. They would continue to be our employees and would be reporting to the management within our agency, not having two authorities they would be reporting to. Mr. Richards said that is correct. In terms of directions or the operating plan, that direction would come, essentially, to the power plant manager from FMPA. The employees report to the plant manager. FMPA has no direct control over our employees.

Mrs. Cully said the plant manager reports to FMPA. Mr. Richards said he is actually still an employee of Fort Pierce Utilities Authority, but he will get his operating directions from FMPA, which we will set by agreement at the beginning of the year. If there are modifications to the plan as they go, he will get directions every day as to whether to start the plant or not or to operate at half load. They will have the agreement as to how much fuel to schedule and certain kinds of maintenance activities. It is a cooperative arrangement. Staff at FMPA will try to lay out the schedule and the planning and how the plant will be dispatched, when it is taken out for maintenance, how to deal with the original vendor. General Electric is a major vendor for this plant and will have continuing responsibility for warranty repair and extended warranty. FMPA has contracted with GE to provide all extended warranties and parts and materials for the plant for quite a period of time, so they will be heavily involved. There are a lot of folks to be involved in the operation, but these are definitely FPUA employees, and FMPA provides general direction and what we need to get out of the plant. They don't direct individual employees. They will contact the plant manager if they need something done.

Mrs. Cully said once this is up and running, has there been any talk about construction of the other unit? Mr. Richards said that decision will be made this week at the Executive Committee meeting this Thursday. The next unit to be built by FMPA is the so-called Central Florida Unit. The two locations under consideration are either our site at TCEC or Cane Island site. The recommendation from FMPA staff is that it be located at Cane Island. His guess is that is what will happen. There aren't very many alternatives in Florida anymore when you rule out coal-fired plants. Nuclear is so far out on the horizon it doesn't fill your need very well. There probably will be another similar unit required for the FMPA group in about five years. He thinks the logical location for that is at TCEC.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to approve the Treasure Coast Energy Center Operation and Maintenance Agreement with Florida Municipal Power Agency.

Mr. Bill Thiess presented the comparison of residential electric rates for the month of October, 2007.

For October for 2,500 kWh, FPUA is in the middle of the group. He displayed a power point chart showing the rates for municipal utilities and investor owned utilities throughout the State. There are sixteen municipals lower and sixteen higher than we are. The chart indicates we are approximately 4% higher than the investor owned utilities. On the tabular sheet in the Board packets, a much bigger difference is shown. If you read the footnote at the bottom of the page, it indicates the figures don't include the franchise fees charged by all the Investor Owned utilities, so the difference, in actuality, is much less. We are close to the center of the group for 1,000 kWh. We are a little bit on the lower side. We have fifteen utilities with lower rates and seventeen with higher rates. We are about \$2.00 under the municipal average. We are about 4.3% over the investor owned utilities' average.

Next, Mr. Thiess presented a local comparison including water, wastewater, and electric utilities with the City of Port St. Lucie, which has FPL electric, and the City of Vero Beach with their own electric. This is a 1,200 kWh comparison, which is typical of our summer months. If you look at the bottom line of the utility bill, FPUA is about \$9.00 less than Port St. Lucie and about \$3.00 less than Vero Beach.

Mr. Drummond said this is something we wish to continue to forecast and share with everyone about exactly where we fit in the scheme across the State.

Mr. Tom Richards presented a request for waiver of the formal bidding process and ratify purchase of materials and services from Southeastern Mechanical Services, Inc. This was an emergency repair and expenditure for emergency repairs to No. 7 boiler. FMPA started calling on the boiler to operate in October on a daily basis, and we found every time we went to start it, it was popping a tube leak on the north wall, an area we haven't had trouble with before now. After about two weeks of starting it everyday, having a leak, and having to shut it down to repair the leak, we decided we needed to take it out and do something to stop it. These particular tubes are about 40 years old and are the original boiler tubes. They have seen a lot of wear and tear. We used our two welders in-house and added two more welders from Southeastern Mechanical, and they spent two weeks welding, seven days a week, overlaying the tubes with a layer of additional metal in the area we thought was leaking. He is requesting approval of the bill from Southeastern Mechanical for this work. We are back on line and have done pretty well with it. It's not perfect, but all these units are literally at the end of their life, and we are trying to hold them together until we decommission the plant in May.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to waive the formal bid process and ratify purchase of materials and services necessary for repair of Unit No. 7 boiler from Southeastern Mechanical Services, Inc. in the amount of \$36,111.70.

Mr. Koblegard presented a request for approval of a resolution authorizing use of eminent domain to obtain property on Orange Avenue we were unable to get an easement for. This is a standard resolution. The Board has passed similar ones for other parcels. This is one piece where there is no contribution coming from anyone. We will be paying on our own. He thinks the \$25,000 figure is still high. The estimate based on the appraisal is a fraction of that, but there are other costs built into a condemnation. He still hopes to hold it under the \$25,000 figure.

Motion by Mrs. Cully, seconded by Mr. Perona and unanimously carried to approve Resolution UA 2007-11 authorizing use of eminent domain for condemnation of a parcel of land lying along the southerly side of Orange Avenue for construction of a 16-inch force main.

Mr. Thiess said we are getting to the time of year where we do our Strategic Planning. Last year we did it in the middle of January. Last year we were starting almost from scratch and we did a two day workshop. The Board and all the FPUA department heads were involved. This year we are thinking more of a partial day with, basically, the same group. We are going to have it facilitated by Tom Reedy of FMPA. We are working with him to get a date. As soon as we get that date, he will get back to the Board. We are looking at the next to the last week or the last week of January. As soon as we have a firm date he will let them know.

There being no further comments, the meeting was adjourned.

ATTEST:

Secretary

Chairman