

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, MARCH 6, 2007, 4:00 P.M., CITY COMMISSION CHAMBERS

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

Others Present: Director of Utilities; Director of Corporate Services; Director of Electric/Gas Systems; Director of Water/Wastewater Systems; Director of Shared Services; Acting Risk Manager; UA Attorney; City Purchasing Coordinator.

Chairman Perona called the meeting to order.

The Invocation was given by Pastor Robert Coleman of Goodwill Presbyterian Church.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried that the items listed on the Consent Agenda be approved:

1. Approval of the Minutes of the Regular Meeting of February 20, 2007.
2. Purchased Gas Adjustment for the period from March 1, 2007, until further notice, will remain at +\$.178/CCF.

A note of appreciation was received thanking Electric Transmission & Distribution employees for a contribution of \$50.00 to Mustard Seed Ministries.

Mr. Tom Richards presented a request to approve an official retirement date for the King Plant and letter of notification.

Mr. Richards said the City of Fort Pierce has been generating electricity on this site since the ice plant property generation was purchased in 1911. Next year it will be about a 97 year run.

Under the Capacity and Energy Sales Agreement with FMPA, we have the unilateral right to retire these units. They cannot tell us when to retire these units. We are the only ones who can make that decision. We have had some very cordial discussions with FMPA about the setting of the date and trying to coordinate with operations of the new plant. FMPA is confident the new plant will be in service on May 1, 2008, or very close to that date. For planning purposes, FMPA would prefer that we have a specific date for retirement of the King Plant. We will ask FMPA to waive the contractual requirement of a two year notice on retirement. He doesn't think they will have a problem with that.

Mr. Richards called to the Board's attention the fact that retirement of the King Plant does have some implications for the electric system that they need to be aware of that will cause us to make some changes to the system to make sure we have good, reliable service, because we will no longer have generation here in Ft. Pierce. We want to make sure our ability to accept the power delivered to us from FPL over their transmission system is reliable. The Board already approved the purchase of two replacement transformers for the Hartman Road Substation. This is one of our interconnections with FPL. There are two smaller transformers at Hartman Road now. We rely upon the ability of the King Plant to generate in certain emergency conditions and to cover our load on peak conditions. The transformers the Board authorized staff to purchase will be delivered in November, and we should have them in place by the retirement date of the King Plant. We have been in discussions recently with FPL about some changes we'd like to make in the area, including a new distribution substation. Out of that discussion came a request by FPL to have us consider them landing a third transmission line at Hartman. We have two transmission lines from FPL now, and they would like to bring a third line into that substation. The advantage for us would be greater reliability. He would expect FPL to pay all the costs to bring that line in except that the substation itself is ours, and FPL would expect us

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to modify our substation to accept the third line. We have R. W. Beck looking at what could be done physically and electrically to do that and to give us an idea of what that would cost. If it is too expensive, we may say no.

Also, Mr. Richards said we are developing a contractor agreement with FMPA for them to use our power generation folks and, maybe, some other folks here at the UA to assist during the construction period of the Treasure Coast Energy Center. Primarily, as systems begin to develop to the point where the contractor is ready to turn them over to the owner, who is FMPA, then, FMPA will have to accept those after start up and check out and be responsible for them. Since they don't really have any field people here, FMPA may ask us to do some of that work. They would like us to be available when we are not operating our own plant. They would reimburse us labor and overhead costs. He hopes to have that agreement ready for the Board at the next meeting. That would be a Construction Services Agreement, which would terminate at the commercial operation date of the plant, which is May 1st. After May 1st, we would like to have a new agreement with FMPA that would cover the full time employment of our power plant employees at the plant property for maintenance of the plant. The first agreement will set the ground work for the conditions. We have a little time to work on the second agreement.

Mr. Richards reported staff was at the TCEC site a week ago, and it is on time and on budget. Most of the subsurface work is complete. They are beginning to erect the steam generator, which is the big boiler. It came in pieces from Thailand. The gas turbine is on site. It arrived by truck and has been moved to the site on multi-wheeled trailers. It weighs 189 tons.

Mr. Richards asked the Board's approval to send the letter to FMPA notifying them that we wish to retire the plant on May 1, 2008.

Mayor Benton said he will definitely support the letter, but asked what our intentions are when we turn our generators off. Do we have another utility that might be interested in them? He is sure there is some value to them. Once it is closed, at what point do we plan to decommission the plant, move out the equipment that has worth, take the facility down and look at contamination that may be in the ground? Mr. Richards replied we are going to develop a decommissioning plan. The units will no longer be available as of May 1, 2008, but that is not the end of it. There are a number of things that need to be done to secure the site and take care of any valuable equipment that is there. He doesn't think there is much, but there may be some, and try to dispose of that in a way that benefits our customers. We are developing that plan, and when we get some kind of framework around it, we will bring it to the Board. Mayor Benton said he knows Enron had cleaned up part of the site and wondered if there might be contamination underneath the existing plant. Mr. Richards said we are doing work on a fuel tank that is near the Indian River Drive side of the plant that has some mitigation going on there now. That one is being cleaned up. We know there is asbestos in some parts of the plant. It is contained and not a problem unless you tear the plant down. Beyond that, we're not aware of any contamination, but that is part of the plan we will develop.

Mr. Beach asked about the substation next to the plant. Is all that hardware going? Mr. Richards said on the north side of Moore's Creek, Lift Station A occupies the easterly portion of that property. It is a small building with a control center inside it. There are submersible pumps below ground. As far as he knows, those will remain. To the west of that to Second Street, those facilities can be retired. To the west of that to the railroad tracks, we have to retain. That is our downtown distribution substation and the MOEC office. Once the plant is retired, the cooling towers will no longer be useful. The vacant property we obtained from the ice plant will not be used unless we want to build something else on it.

Mr. Perona said we had a boiler problem five or six months ago. Are we fixing that? Mr. Richards said we are going to make that repair. We will bring that contract to the Board, hopefully, at the next meeting to have it repaired so we can have it back in service for the summer peak. The repairs are much less than the capacity credit we will get from FMPA for having it in service. It makes financial sense for us to do that. We have insurance, and most of it is insured. FMPA needs the 50 megawatts of power we will get out of No. 8 unit. Even if we had to pay for the repairs out of our own pocket and insurance did not give us a penny, it would still be worth it.

Motion by Mr. Summerhays, seconded by Mayor Benton and unanimously carried to approve May 1, 2008, as the official retirement date for all generating units at the King Plant and approve letter of notification.

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Mr. Thiess explained the comparison of residential electric rates is an item that typically appeared on the Consent Agenda. We have pulled it at the Board's request and put it on the regular agenda.

Mr. Varella explained this is the monthly comparison of electric rates for the month of January as prepared by FMEA. FPUA's average for 1000 kilowatt hours of usage is \$113.88 compared to the municipal mean of \$113.11. We are just about in the middle of the pack. He is sure next month when our PCA drops, we will be favorable on this report. Mr. Summerhays said he also notes we are below both the mean and the median at the 2500 kilowatt hour rate. Mr. Varella said yes, and this item is for information only.

Mr. Tim Perkins requested waiver of the bid process and award of contract to Bennett's Site Development for construction of a deep injection well pad for the Mainland Water Reclamation Facility.

Mr. Perkins said this request is a continuation of our prior request to begin negotiations with the well driller for the first two injection wells at the MWRF. In entering into those negotiations, due to the fact that the well driller needs to be on site before we begin site construction, we have to prepare the area where the wells will be drilled by clearing, grubbing and filling to construction elevation and build an access road. The initial price to us from the well driller, Youngquist, was \$400,000, because they don't generally do that type of work. They would have done it, because they will be on site first. Staff investigated and contacted three other contractors in the area. The FMFA contractor, who was working on the adjacent site, a contractor working for a developer on a site to the east, and Bennett's Site Development gave us quotes for the work. Bennett's gave us the lowest price and was best able to meet our schedule, and they are a local contractor. We need to be on site and under construction by the end of this month to meet our contractual commitment to FMFA to have the injection wells available for their plant start up.

Mr. Perona asked what is grubbing. Mr. Perkins said that is clearing the plants and shrubs. Mr. Summerhays asked if we have ever used Bennett's for anything. Mr. Dave Mellert said we have. They have done work for the City, as well. Mr. Summerhays said he is very happy to use local people whenever we can.

Motion by Mrs. Cully, seconded by Mr. Drummond and unanimously carried to waive the formal bid process and award a contract to Bennett's Site Development in an amount not to exceed \$198,597.50 for construction of deep injection well pad for the Mainland Water Reclamation Facility.

Mr. John Tompeck presented a request to award a bid to Standby Systems, Inc. for purchase of a standby generator.

Mr. Tompeck explained this generator is for the Administration Building. The purpose of buying this new generator is to replace the existing generator in the Admin. Building. The existing unit does not have sufficient capacity to maintain climate control in the computer server room during loss of off site power. This could cause overheating of vital computer network servers and associated equipment. Our consultant, Stanley Consultants, developed a technical specification that was used for the bidding process. Our selection criteria for bid evaluation included compliance with the specs, best ship date, compliance with terms and conditions, compliance with insurance requirements, and compliance with warranty provisions. We put a little more extensive warranty provision in the specs than we normally do. It is 5 years or 1,500 hours. We received six bids. The All Power Generators' bid did not meet technical specifications. They quoted diesel and it was rejected. Pantropic Power was the most expensive and had the longest lead-time. They were eliminated. The other four bids were very close. The recommended bidder had the lowest price and the shortest lead-time and met warranty requirements. TAW, Cobra Power Systems and Florida Detroit Diesel met all requirements, but their cost and delivery were not as good the recommended bidder.

Mr. Tompeck said the bid price is strictly for the emergency generator. He will probably be back at the next meeting or the one after to request approval for the actual installation of the generator and some associated work required inside the Administration Building.

Mr. Perona asked what we are going to do with the other generator. Mr. Tompeck said it is his understanding that the Support Services group has plans to use it at another UA facility. He thinks it will be used at the MOEC office. It is a very small generator, only about 20 kW.

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Motion by Mr. Drummond, seconded by Mrs. Cully and unanimously carried that Bid 5684 be awarded to Standby Systems, Inc., as the lowest evaluated bidder, in an amount not to exceed \$98,929 for purchase of a 250 kW standby emergency generator for the Administration Building.

Chairman Perona called to order the Public Hearing for comments on Resolution UA 2007-02 Rescinding the Annual Indexing Provision, revising residential rate for schedule of electric service and streetlights. There being no one present who wished to be heard, the public hearing was closed.

Motion by Mayor Benton, seconded by Mr. Drummond and unanimously carried to adopt Resolution UA 2007-02 Rescinding the Annual Indexing Provision, revising residential rate for schedule of electric service and streetlights.

Chairman Perona called to order the Public Hearing for comments on Resolution UA 2007-03 Revising Schedule of Rates for Water Service furnished by FPUA and establishing a monthly inactive account charge. There being no one present who wished to be heard, the public hearing was closed.

Mr. Thiess explained this resolution was voted down at the last City Commission Meeting, and we were tasked with coming back with a compromise. We have worked out a compromise, and we believe we will move forward. Mr. Thiess advised the Board this compromise comes with a good deal of sacrifice on the part of the Water and Wastewater utilities. We had to cut about \$1.6 million out of renewals and replacements and operating expenses to make this resolution fit for fiscal year 2007. It does come with a good deal of sacrifice.

Mr. Varella stated that during the last City Commission meeting it was very clear that the City Commission wanted a split rate increase coming back to them. They rejected the 12% and 10% water increase and requested it be in two stages. After the meeting, Mayor Benton and Mr. Thiess discussed the issue and agreed that coming back to the Board and City Commission with a 7% increase, immediately, and a 5% increase in September would likely be passed by the City Commission. Included in both the water and wastewater resolutions is the inactive account charge, which will help in the future.

Mr. Drummond said at budget time we will have to look in terms of what the rate study suggested for the next fiscal year on water increases. Will that be a part of the 5% or will that disappear? Mr. Varella said we have a plan. In the next couple of weeks we will start our budget process. When we start our budget process we will work through the numbers and supply those numbers to our rate consultants. We will ask them once again to do rate studies on all four utilities in order to prepare us for next year and future years. After we work through our numbers and see what kind of increases we need and get through staff review, sometime soon after July 4th, we propose a joint City/UA meeting where we will be able to show you where we are going to end up this year on a projected basis and where we're going in future years, so that we can posture ourselves and present our budgets in accordance with the wishes of the Board and Commission.

Mr. Drummond said he guesses his big question is does this resolution preclude anything above the 5% schedule for September. Mr. Varella said the two increases in each of these two resolutions takes care of this year's request only. Next year, possibly in January, he is sure we will propose additional requests. We may be back earlier with electric based on the PSC index. These resolutions are just for this year. We will address next year sometime in July, hopefully, with both the UA Board and City Commission, jointly. Mr. Drummond said when you say next year, you're speaking of next fiscal year. Mr. Varella said that is correct, October 1 through September 30.

Mr. Perona said this has been a tough road for both the UA and City Commission. We have learned what we need to present and how to present it. Mr. Thiess kept going back to the well with different information several times provided by staff and our consultants. It looks like the years of going ten years without a rate increase for any utility are going to be over. Mr. Varella said he would strongly agree. He said rate increases on an annual basis are the best. Mr. Perona said they need to be visited on an annual basis regardless of whether a rate increase is needed or not and tie in with the budget. Maybe, we should even have the auditors take a look at it before we begin to present it, so we have cut through a lot of those issues and what we are presenting is exactly what it is and can't be questioned in that format like it had been before.

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Mr. Varella said in the next month or so he is planning to meet with the auditors as well as our rate consultants to discuss with them how we can better present the annual budget so that it will be clearer, so that there aren't difficulties in interpreting the data that there have been in this past year.

Mayor Benton said for the record, when he spoke to Mr. Thiess about this, he suggested the UA do a bit of public relations during this timeframe. Maybe through Linette Trabulsi at South Florida Water Management District we can get some information we can put on channel 27 to show people how they can conserve water and save on sewer. If we can do that, just getting that information out to the public will help ease the pain for some people. At least they have the ability in six months to try to save. He thinks with the drought we are going into, we will all be saving this year.

Motion by Mr. Summerhays, seconded by Mayor Benton and unanimously carried to approve Resolution UA 2007-03 Revising Schedule of Rates for Water Service furnished by FPUA and establishing a monthly inactive account charge.

Chairman Perona called to order the Public Hearing for comments on Resolution UA 2007-04 Revising Schedule of Rates for Wastewater Service furnished by FPUA and establishing a monthly inactive account charge. There being no one present who wished to be heard, the public hearing was closed.

Mr. Varella said all his comments regarding the Water rate resolution are the same for the Wastewater rate resolution, except in this wastewater resolution, the first immediate increase is for 6% and the September increase is 4%.

Mr. Drummond said we have concentrated all through this process on the percentage increases. Have we heard any heartburn at the City Commission as to the monthly inactive account charge? Mr. Varella said he hasn't heard any. We are working on trying to figure out how we are going to implement it. He doesn't think Customer Service has heard any adverse comments regarding it. Mayor Benton said he has had about three complaints about that. His response was that we can't just hire people in the wintertime and lay them off in the summer. There is a need for people year round, especially during hurricane season. It is the cost of doing business. He is sure there will be some phone calls on it, but these are the same people who are paying much more in taxes than their neighbor a lot of times. Mr. Drummond just wanted to make certain there was no complaining from the Commission. Mayor Benton said not that he knows of.

Mrs. Cully asked when the inactive account charge will start. Mr. Varella said he thinks it will start very soon after the rates go into effect. He would hope it will start by the end of June.

Motion by Mr. Drummond, seconded by Mrs. Cully and unanimously carried that Resolution UA 2007-04 be adopted Revising the Schedule of Rates for Wastewater Service furnished by FPUA and establishing a monthly inactive account charge.

Mr. Drummond said he saw something on the City's Agenda yesterday, a resolution with regard to the calculations regarding the electric transfer. He wanted to know if it had any implications on us or our requirements or what we must do. Mayor Benton said yes it did.

Mr. Thiess said we looked into that. Mr. Varella went back and looked at the actual resolution. He can tell you what it is all about.

Mr. Varella said he is not an attorney, but he did review the resolution. The best he could tell from the resolution is that they broadened the revenues they can use to pledge for City bonds to include the distribution from the UA. The City can include that distribution to guarantee payment of their bonds. Maybe, Mr. Beach has a different interpretation. Mr. Beach said he thinks Mr. Varella stated it accurately. The intent of the resolution was to expand the City's borrowing capacity. Mr. Perona said it is the transfer to the City and they can do anything they want with it. Mayor Benton said we want to guarantee our transfer.

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Mr. Koblegard said our responsibilities on the transfer are driven by the Charter and by the bond covenants. They are already in place and nothing has changed based on the resolution adopted by the City last night. Mr. Perona said the transfer is a mathematical equation, and it stays as such.

Mayor Benton said last night the City Commission, on the issue with the County on the 16 inch force main going down Indian River Drive, told the County they will have to put it down the middle of the road versus the right-of-way. He is sure this will set them back a long time. Is that going to be a problem for the UA? Mr. Thiess said he doesn't think the schedule is a problem for the UA. Where it will hit us is that is one the last projects the County has that they will get the 60% capital improvement charge credit on, so we are paying for 60% of the project. If going down the Drive costs \$500,000 more, the UA is paying \$300,000 of that. In that way it does impact us. Schedule-wise, the County needs the capacity up there on the north end. We have sufficient capacity through our system, provided their system doesn't max it out. The only thing that is keeping the County from going over that capacity is the Portofino development isn't really anywhere fully occupied.

Mayor Benton said just so this Board knows why the City Commission said no, one of the reasons was the City felt the County could have scheduled this while the underground utility work was going on. Why that didn't happen, we don't know. We all could have saved money. The County has never spoken to any of the folks at the Art Gallery. The County would have been going right behind the Art Gallery where the Gallery is looking to expand. Their plans are in the works already. The Gallery is leasing from the County, so there was no communication. We have big plans for that park, and we can't run a 16 inch force main in the easement. Part of the easement they wanted was forty feet and the rest was 20 feet. We have facilities going in that park in the next few years, and we didn't need this force main underneath them. We felt the best route to go with the number of utilities in the right-of-way now, was under the road. It is a County Road, and he knows it will set them back a ways. There was no one from the County present last night to speak to this project.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN