

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, MAY 15, 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.; Ex-Officio Member/City Manager, Dennis Beach.

Excused: Mayor Robert J. Benton III

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

Chairman Perona 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 Mr. Summerhays, seconded by Mr. Drummond and unanimously carried to excuse Mayor Benton from the meeting.

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

1. Approval of the Minutes of the Regular Meeting of May 1, 2007.
2. Purchased Gas Adjustment (PGA) for Firm Service for the period of June 1, 2007, through June 30, 2007 will be +\$.300/CCF.
3. Approve PURPA Procedures and related Application for Award of Reasonable Costs.
4. Approve Transportation Services Agreement with St. Lucie County School Board to utilize school buses for MOEC summer youth programs.
5. Approve amended Low Income Home Energy Assistance Program Energy provider Payment Agreement for Agricultural and Labor program, Inc.

Betsy Schnebli explained that in January the Board approved R. W. Beck performing an Impact Study on the Hartman Substation upgrade. This upgrade is in response to the planned retirement of the King Plant. The addition of a third circuit from FPL is also required. Mr. Perona asked if this study is relative to FPUA and not as it relates to FMPA. Mrs. Schnebli said that is correct.

Mrs. Schnebli introduced Mr. Carl Turner of R. W. Beck who will present the report.

Mr. Turner made a power point presentation to the Board. He said they separated the project into different parts. In 2005, R. W. Beck performed a transformer sizing study for FPUA at the Hartman Substation. Part of the recommendation was to upgrade those transformers to 100 MVA base transformers from the 30, 40, 50 MVA units that are there now. Because that work and those

transformers have already been ordered, we are combining that, but are separating the costs to show the efforts that will be required for those units to arrive, separate from the efforts that will be required to bring in the new 138 kV line to the Hartman Substation. The 138 kV bus upgrade and expansion are required to upgrade the 138 kV bus in line with the requirements that FPL and FMPA have said they will need. Part of the reason for the Impact Study R. W. Beck performed was the fact that these two activities had not been studied together. They had been studied separately. The FPL and FMPA study concentrated on the transmission system and did not deal with replacement of the transformers. We needed to understand the effect of the combination of those two tasks going on at the same time to make sure there were not any other required upgrades to the FPUA 69 kV system. The cost for the 69 kV Yard Equipment Upgrades is \$2,475,720, but they are not recommending that be done at this time. The cost for the 138 kV bus upgrade and expansion is \$2,400,215. The cost for replacement of transformers is \$1,380,158. The autotransformer study was done in 2005, and they elected to go with a two phase approach to the substation project at Hartman, because the two projects have not been studied together.

Option 2A was selected by FPUA as a result of FPL studies regarding the shut down of the King Plant and start up of the Treasure Coast Energy Center. Mr. Turner stated the Board can see on the screen the third transmission line we are talking about into the Hartman Substation. The two transformers shown are the units that are being replaced. The idea behind the two phased approach was to quantify as well as we can at this point in time an estimate of the project cost to FPUA and to understand the full system impact of these two events going on simultaneously.

At this time FPL has not been involved in any discussions regarding the work that will be done on the 138 kV yard. It is very likely, given the age of the equipment in the substation, that FPL may want certain things upgraded. In Beck's cost estimates they focused on those items that would be necessary for FPUA to achieve the upgrade you have been asked to achieve and need to achieve for your load. Some of those other upgrades would be involved in negotiations at a later point for cost sharing between the different parties, so Beck has not included costs for those. The negotiations for that cost sharing are going to be a critical aspect of this project, because it has a very aggressive schedule to be done by next May, essentially. The sooner we can get that underway and have some meetings with FPL, the better.

Mr. Turner stated for the auto-transformers, when they looked through the study, what it appeared would be the best thing to do is relocate transformer 2 from its existing location. That would allow two transformers to be in service during construction, because those units are needed to serve the Fort Pierce load.

In the short term, the 69 kV modifications are not going to be required. You will reach a point around 2014 where you will be marginal in overloading that 69 kV equipment. However, one of the reasons Beck is not recommending doing it right now, in addition to the costs, is with the tight project schedule, adding a large amount of 69 kV work to the project, would make it even more difficult to get it completed on time.

Regarding general study methodology, the first thing Beck does is to perform a load flow and contingency analysis on the 69 kV system in particular. The transmission system had been studied by FPL and FMPA. The idea behind the load flow study is to simulate events where certain segments of the system would be tripped off line or lost and look at the resulting load and the rest of the equipment and make sure the rest of the equipment can handle the load at that time.

Beck also performed a short circuit analysis. One of the concerns there was with increased capacity into the substation and an increase size of transformer, the fault levels in the Fort Pierce 69 kV system are going to go up. Once we completed those two items, we set about identifying what the necessary scope items would be to actually achieve the upgrades of the substation. Beck evaluated the costs of those items and developed a project schedule. Results of the load flow showed there were no elements that were overloaded in the Fort Pierce 69 kV system that would require any further upgrades to go along with this project. Additionally, the short circuit results showed all the interrupting devices in the system have adequate margin except at the King Plant. Basically, the concern at the King Plant would be if there is an overlap between the shutdown of the plant such that loads are being used at the plant at the time that the new line is in service at the Hartman Substation, you could experience a fault at the King Plant that would be greater than the breakers could handle. That would occur if there was an overlap. Those are the oldest breakers FPUA has that they have seen.

Under the scope Beck came up with, FPUA will need the new 138 kV line positioned in the switch yard; relocate transformer 2; and replace transformers HT1 and HT2. That relocation/replacement will be hand in hand. A new foundation will be built in the new location and the new unit will be put on it. It is possible some 69 kV changes may be required in order to hook up the new transformers in their new positions. That will be kept to a minimum. Beck is recommending new protection and control for the new transmission line and new protection and control for the transformers. They are recommending new 138 kV bus protection. All of the equipment on that bus besides the bus conductor itself, is going to be replaced to allow for the increased ampacity that is required. The general age of the protection and control equipment in the control house indicates there is a good possibility FPL may want to upgrade some of that. He showed the Board a photograph of the Hartman 138 kV yard showing where the new breaker bay would be when the new line comes in.

The next step in the process was cost estimate. In order to prepare a cost estimate, Mr. Turner stated, we keep track of projects we have done in the region and all the material costs of those projects, and we use those recent project costs to estimate costs for future projects. We have added a 15% allowance for contingencies. In the cost estimate, we have included soft costs. This includes things like engineering, Beck's fee, construction fees, construction management by FPUA, owner's overhead and allowance for funds used during construction. Using the contingency and based upon the level of accuracy, we are looking at around a plus or minus 30% planning level cost estimate. We have to have a contingency included with the materials market being very volatile. Copper and aluminum over the past couple of years have been fairly expensive and prices change rapidly. We have also included an allowance for salvage value for the existing transformers. We actually got a quote from a salvage company to come in and do that. The salvage value is nothing large. It would be \$65,000 for the pair. When you consider the cost of the new units, that is really nothing. The best situation would be if you could find somebody that could use those and buy them. Unfortunately, we don't have a lot of people around here who have 138 or 69 kV equipment. The total cost of the recommended upgrade in Beck's estimate is \$3,780,000.

Beck also developed a project schedule. The dates are driven by the transformers, circuit breakers and control panels. The transformer is already on its way. It should arrive in November. In order to be prepared for that the construction has to begin a month and a half to two months prior to that time to allow time for a new foundation to be poured for those transformers and the concrete cured. Mr. Turner said we assigned time for certain activities such as contract bidding and general construction time of the project based upon experience with projects of similar size. Essentially, what the schedule says is that the project needs to start as soon as possible if we're going to make the date. We had evaluated a start date of May 1st, which we've missed, so we're crunching a little bit on our design

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time. Hopefully, the goal is we can still get ourselves in a position to begin construction in September. Because we need to make a June 1st date, we set the schedule to make ourselves finish in May. The largest item in the project is the transformer.

In summary, we did not find anything that we feel needs to be done in the rest of the system such that the upgrades can be limited to the Hartman 138 kV yard. There may be some minimal 69 kV upgrades. The 69 kV yard is needed in the medium term, marginally around 2014. That will also improve reliability. Currently, that yard is a four switch ring, and if you have a bus fault, you have a problem. One of those switches would die. Or, you are assuming a transformer takes it out, in which case you don't have a transformer. Replacing those and actually making a breaker ring would improve the 69 kV reliability. That is not something that is necessarily required at this time.

Negotiations for the line equipment cost sharing are really critical paths. That is going to be one of our primary objectives, to get hold of FPL and FMFA and see where that is and what can be done to move the process along. We will have to keep very careful track of construction efforts and maintain the project schedule. The hard part will be meeting the construction beginning date in September.

Mrs. Cully said they don't have any alternative dates in case we have hurricanes come in and cause everything to be delayed. Mr. Turner said there is always room for that to move around, particularly when you get the contractors involved in the planning of their day to day activities. Generally speaking, when we're planning it at this level, we try to allot for anything that could possibly happen. This is the most amount of time you would need. They could, actually, be prepared for that transformer's arrival in less time.

Mrs. Cully asked what a bus is. Mr. Turner said that is the copper tubing that was pictured. That is the actual conductor.

Mr. Perona thanked Mr. Turner for his presentation.

Mrs. Betsy Schnebli presented a request for approval of a Specific Authorization for engineering services for the Hartman Road Substation Upgrade, Phase II.

Mrs. Schnebli stated Mr. Turner just explained what he will be doing under this authorization.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to Approve Specific Authorization with R. W. Beck to provide engineering services in an amount not to exceed \$290,000 for Hartman Road Substation Upgrade, Phase II.

Mr. Bill Anderson, Acting Superintendent of Power Generation, explained a request to rescind an award to Foster Wheeler for repair of Unit No. 8 boiler. Mr. Anderson advised the Board Foster Wheeler is no longer performing firm price repairs of boilers, so they suggested going to a time and materials basis. Since we had the opportunity, we opened up bidding to additional companies that perform these types of repairs. Southeastern Mechanical submitted the best rate and have been very good in the past with work done at the King Plant. Based upon Southeastern Mechanical's rates and the difficulties we've had dealing with Foster Wheeler, we are requesting to use Southeastern Mechanical's services on a time and materials basis.

Mr. Anderson showed the Board a power point presentation of the work FPUA employees have performed at the plant with our certified welder mechanics in moving forward with repairs. He explained each slide. We are starting to get into our operating season. The \$450,000 we are asking for contains a contingency in case we find some additional items in the boiler. It won't delay repair of the boiler by having to come back to the Board to get approval for additional dollars to complete those repairs. We do feel we will be under that amount due to the fact that we've already done additional repairs and have been inside the boiler.

Mr. Perona asked if this was scheduled to be completed in June. Mr. Anderson said, originally, the completion date we were looking for was May 15th. Due to the fact that there have been many delays with Foster Wheeler, we have gotten to this point. The date we have given FMPA is July 1st, but we believe we will be slightly earlier than that. We still need some testing and tuning based on the irregularities in the wind box area. Mr. Perona said if we pass that date, we will be past our window of opportunity. He knows FMPA depends on us for peak power. There is a lot of money out there for us. Mr. Anderson said that was an additional reason to select a time and materials contract. That way, the company that bid on this did not have to take the time to come in and search around the boiler and make sure the engineering report from Foster Wheeler was all true and be on the hook for a firm price. Foster Wheeler did not want to sign a time and materials contract for anything on a not-to-exceed basis.

Motion by Mrs. Cully, seconded by Mr. Summerhays and unanimously carried to rescind award to Foster Wheeler in the amount of \$448,238, waive formal bidding process, declare an emergency and approve a proposal based on time and material rates from Southeastern Mechanical Services, Inc. for repair of Unit No. 8 boiler in an amount not to exceed \$450,000.00 subject to Southeastern's acceptance of insurance requirements.

Mr. Thiess presented a request for approval of an Independent Contractor Agreement with Richard Stenberg.

Mr. Thiess explained this is another of a very limited amount of contractor agreements that we intend to bring to the Board. Richard Stenberg is Superintendent of our Wastewater Treatment Plant, Lift Stations, Water Treatment Plant and Well fields. He has been wearing two hats for a number of years. Typically, we have two Superintendents in those positions. Mr. Stenberg is extremely valuable to the company with his expertise, knowledge of the system and management skills. He is also eligible for retirement, which concerns us. He has a total of approximately 27 years with us now including his service time buy back. Our intention is to retain him for three years under this contract during which time we would train Assistant Superintendents, and at the end of that three years when Mr. Stenberg leaves us, we will be rock solid with Assistant Superintendents trained and ready to go. This contract is identical in form to the one we brought to the Board for Richard Smith. The only differences in the contract are the job description and the amount of compensation. To become effective, this will have to be approved by the Retirement Board after approval by this Board. One thing different about this contract is that we are asking to have this contract approved by both the UA Board and the Retirement Board prior to Mr. Stenberg's retirement. He has discussed this with several members of the Retirement Board, and he doesn't think we have a problem there with it. If there is a problem with the contract, Mr. Stenberg doesn't want to retire, but will consider other options. The contract has an effective date of August 2, 2007. Once it is approved by this Board and the Retirement Board, he would go through retirement at the UA and take his 30 day leave of absence and come back and start his contract on August 2nd.

Mr. Thiess further explained we also sent this contract off for review by the same law firm that reviewed Rick Smith's contract, and we received a letter before the meeting today pointing out four very minor items that underscored the independent contractor relationship with the company. Mr. Thiess can go over those very briefly with the Board. We would like to have the Board approve the contract contingent upon these changes being incorporated.

The first change is the second "Whereas" clause, third line. We added to assist in the "management of certain of its operations, including construction maintenance, etc." On the second page where it states "responsible for the supervision of personnel," the wording has been changed to "managing and directing personnel." About eight lines down from there it states, "responsible for coordination and supervision of employees." That has been changed to "coordination and management." As a contractor he will be functioning in more of a management mode as opposed to a supervisor. Under item 2 d, the travel item, the Attorney suggested that we be a little more clear that all travel or training has to be directed by us. It is not at Mr. Stenberg's option. It has to be requested and approved in advance by the company. That wording was changed to read, "expenses directly related to any travel and/or training specifically requested and approved in advance by the company, will be invoiced by the contractor." The last item was a typo under Item 7, line 5 where it reads, "This agreement further supersedes all agreements whether "oral" or written." "Oral" was left out in the first draft. Those are all minor wording changes.

Motion by Mr. Summerhays, seconded by Mrs. Cully that the independent Contractor Agreement with Richard Stenberg be approved subject to the stated changes being made. The roll was called with Mrs. Cully, Mr. Summerhays and Mr. Perona voting yes. Mr. Drummond voted no. Motion carried.

Mr. Thiess said he would also like to point out that going under contract with Mr. Stenberg results in a savings of \$19,000 per year for FPUA as opposed to him remaining in his presently salaried position.

Mr. Perona wanted to reassure the Board that we are going to engage in a training process for his position. Mr. Thiess said absolutely. That is the purpose of the entire program.

Mr. Tom Richards presented a request to approve a Vacant Land Contract for the proposed Southwest Substation site. He stated we have been looking for a substation site to serve the needs of some of our customers in the southwestern part of our service territory. This project was kind of put on the back burner for a while, because one of our major customers in that area, Indian River Foods/Cargill, closed and are gone. They were one of our largest electric customers. With the anticipated construction of the new Water Reclamation Facility, we do have a major load coming down the road that we would like to provide better service for. This is an area that is served now, primarily, from the Totten Road substation. In the Board Agenda packet is a map that shows the area in which we looked. The reason we selected this site is that there is a transmission line that runs along Selvitz Road that we would like to connect the substation to. This piece of property is located in an industrial subdivision. It is primarily vacant except for the lots at the western end. The disadvantage of site two that we looked at is that it is so far back off of Selvitz Road we would have to build a lot of transmission to it. That would offset the increased costs for the land. There are additional considerations when building transmission that you would just as soon avoid if you could. Those include right-of-way, aesthetic issues, and, possibly having to work with the State Siting Commission. Some of those same issues hold true for Site 3 that we looked at. Site 3 was most advantageous to the new MWRF, because it is right next door, but is farthest away from some of our other load and requires more distribution and

transmission to get back to Selvitz Road. That is the reason we selected the site we are proposing this afternoon. It is expensive. We did manage to negotiate the price down, somewhat, but it is \$9.00 per square foot. In addition, we had to take two lots from the seller, even though we only needed one lot. We will be in the real estate business sometime in the future selling the back lot that we have no use for at this time.

Mr. Richards said this agreement takes the property off the market and gives us a free look at it for 60 days. We do an environmental study and other research to make sure it is suitable for our use. If it is suitable, we would go ahead with a purchase contract. If we decide we don't want it, we can notify the seller and terminate the deal without any cost to FPUA.

Mr. Perona asked if we have an appraisal on this property. Mr. Koblegard said we do, and he believes it came in at \$1.00 per square foot below the \$9.00 figure. We did our best to just purchase one lot, but were unsuccessful. Mr. Perona said by the UA purchasing this property, it takes both lots off the tax rolls. Mr. Koblegard said yes. Mr. Richards said this is within the city limits. Mr. Perona said hopefully the market will turn around, and we can get the other lot back on the tax rolls.

Mr. Perona asked, by putting a substation on the corner, does it affect the marketability of that lot. Mr. Richards said he thinks it is a fairly passive use. The substation will be relatively modern construction with low profile structures. He is sure the City will ask us to put pretty extensive landscaping around it. It will be as attractive as most any other industrial site up and down Selvitz Road. Mr. Perona said this would be an improvement over other things that are on the frontage of Selvitz Road. Mr. Thiess said we met with City Planning on this and brought some preliminary landscaping ideas to them. He thinks we are on board with City Planning to make it look nice.

Mrs. Cully asked how many acres does this site encompass as compared to Site 3? Mr. Richards said the Number 1 site consists of two, two acre lots. Site 3 is about 7 acres.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried to approve Vacant Land Contract with a 60-day feasibility period between City of Ft. Pierce for the use and benefit of FPUA with Troy, Phillip and Susan Drawdy for purchase of two land parcels at southwest corner of Selvitz Road and Prosperity Drive for the proposed Southwest Substation in the estimated amount of \$1,700,782.80.

Mrs. Nina Hurtubise presented the March 2007 Quarterly Operating Results.

Mrs. Hurtubise stated the results are the same as you have been seeing in previous months. We are continuing to see a gradual deterioration of our financial condition. Our year to date income before contributed capital is down a million dollars from last year. If you take out the City transfer, which was paid in March, it is about \$1.5 million down. Expenses are down in an equal amount related to power costs and gas costs. It is kind of a wash there. Year to date Capital Improvement Charges, we've collected about \$5.7 million. It is contributed capital supporting our bottom line. Almost \$2 million of the \$6 million collected has been spent this year. We have had non-cash contributed capital donated by developers in the amount of about \$1 million. We have had cash contributions in the amount of approximately \$500,000. By and large, the contributed capital is made up of Capital Improvement Charges. The depreciation is up about \$1 million from last year related to the Power Plant. That is going to continue, so we will be seeing about \$2 million more than we did the year before in depreciation. Our unrestricted cash was down about 53% since September. That can't

double or we will have a real problem. Our sales levels have been weak due to the moderate winter weather and even the cool weather up until today. Debt Service Coverage decreased another couple of notches down to 2.06. Our Operating Income is about half of what it was this time last year. We are going to be limited again by the 40% of net revenue formula. Through six months, we are estimating the City transfer to be \$1.5 million for the six months. Obviously, that will be about \$3 million, annualized. We are accustomed to transferring around \$4.5 million.

Mr. Thiess said he thinks this underscores the importance of the July Workshop we are setting up with the City Commission. We cannot continue the deteriorating cash position of the utility. In this workshop we will go through budget items. We will start out with the building blocks of the way we do our finances. We will start out with our assumptions, and from our assumptions, the budget needed to fund those assumptions. And, of course, we go from the budget to the rates. He thinks it needs to be an educational process to get everyone on board with where we are going with the utility and if we are going to have the money to jump into City projects and do these streetscape projects or are we going to have to go into a survival mode. We are going to structure the workshop to get this information out there, to get everybody on the same page, and to try to get this turned around.

Mr. Perona said we are not anticipating a rate increase until the first of the year. Mr. Thiess said that is correct. We have to start somewhere and find out if we are all on the same page with the assumptions. Do we want to keep the reliability level high in our utilities? Do we want to be able to participate in the South A-1-A Projects, the Orange Avenue Projects and the Avenue D Projects? Do we want to fund our renewals and replacements at a reasonable pace or do we want to put it off until we end up with a mountain we can't climb ten years down the road. Those are the assumptions we have to lay out, and we have to get everybody to either buy into those assumptions or change the assumptions. Until you agree on the assumptions, you can't set the budget figures. Once you set the budget, the rates kind of fall out from the numbers. The July meeting is really a budget workshop. We are not asking anybody for approval of rates in July. It is a budget workshop to lay out the assumptions of the budget, where we're going with the 2008 budget and what possible implications that might have.

Mr. Perona said for some of the things Mr. Thiess has mentioned, there are no choices. As far as an educational process, it is going to lead to the only end, which is to raise rates. Mr. Thiess said he thinks it is pretty clear you can't let the cash situation deteriorate forever. You have to turn it around at some point in time. He thinks we are as lean as we can get in most areas with personnel, with cutting costs. At some point you have to get the balance so that money in is slightly more than money out or you're going to run into a hole.

Mr. Beach said the City is going through a problem halfway through the year, as well. We are anticipating about 10% less revenue coming into our general fund than we had in our projections. In the middle of the year, cities don't have the alternative of adjusting revenues. You make those decisions at the beginning of the budget, and you have to live with them. Over the next six months, we have to find changes and alterations and cuts in our operating plan that is going to severely impact services we provide to the public. That is happening as a result of necessity, not a result of choice. He would suggest that the Utilities Authority think in those terms, as well. When you have something pushed on you where your choices have been taken away from you, you still have to make it work. You still have to bring your expenditures and your revenues together. What that means, in many cases, is doing an inadequate job of providing the services you are supposed to be providing to the community. We deal with that annually at City Hall. He would suggest that the UA start rolling things like that around in your thinking in regards to how to bring this together. He doesn't know what's going to happen, politically, when it comes time to shove this through. You know that the City

has lowered its property taxes by 20% over the last two years. Had we not lowered property taxes, we would have a surplus in the general fund. What he is suggesting to the UA is that the political leaders of the City and the political leaders of the State of Florida, are pushing tax reduction issues to the hilt. That is driving what staff has to do in order to comply with it. It is not what we choose to do and in our judgment, it is not even the best business plan. It is not how you would do things if you had that choice. But, when that choice is taken away from you, you have to go into the survival mode, and that is where the City is right now. He would encourage the UA to at least start thinking in those terms.

Mr. Perona said starting probably two years ago, in his knowledge of the utility, we have such a large commitment of just maintenance, that you can't skimp on it. He is sure we are cutting fat off of nothing right now trying to keep expenses as low as possible. He encourages everybody in the UA that this is the way we are going to be from now on. We looked at the future and saw that we needed additional income that hasn't been requested in several years, and we didn't get it. So, now it is a question of going back to square one and trying to survive. To say that we haven't done that, is not correct. We need to continue to do that.

Mr. Thiess said we have gone into the austerity mode. He gave direction to all his departments to go and look at their 2007 budgets and cut all non-essential items out of the budget, and we've done that. We are still attempting to do that when we can. When something comes up like South A-1-A, where we're going to have to spend a million or more dollars on water and wastewater, we have to do it one way or the other. We can't say no, we can't do that, because it would shut the project down. We are driven by other constraints that we have no control over, and we are going to have to deal with those issues the best way we can.

Mr. Drummond said we don't have the flexibility of reducing services. A utility is 100% or none. He doesn't think the general public is going to agree with any concept where the reliability suffers in terms of the services they receive from the utility. Mr. Summerhays said they didn't seem to be happy with it in Lake Worth. Mr. Thiess said when you are in a service business like we are, when you get driven to the wall where you don't have money to operate, you look at two things: First, not providing any new services to additional customers or a moratorium, and, secondly, you look at failure to provide utility services to your existing customers, which consists of outages, shutting down plants, and no utility ever wants to go there.

Mr. Frank Varella presented a request for approval of an agreement with PRMG to perform rate studies in all four utilities.

Mr. Varella said this study will begin as soon as possible after being approved by this Board. We have a meeting in about eight weeks with the City Commission to bring forth all the assumptions and what they will do to rates. This is a comprehensive study like we had last year, except it also includes the Gas System this time. We expect an increase there, also. We are probably going to restructure rates a little bit, again.

Mr. Perona said PRMG did a great job the last time. They got a chance to find out what it was like to speak with the City Commissioners. He is sure within those dialogues, they have learned certain aspects that are important to the City Commission, and he would make certain they keep those in mind when they are finding information for us. Mrs. Cully said she noticed the results of the study are due by October 31st, and our meeting is in July. Mr. Varella said they will have the expected rate analysis done by July. We are working on all of our budgets, so in the next three to five weeks, we've got to

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get our budgets done, our revenue requirements done, and how it will impact rates. That is what PRMG will be looking at. As far as the detailed rate schedules, he doubts they will have those done. They will be able to come to the joint meeting and say the budgets that are before you will impact rates by a certain amount.

Motion by Mr. Summerhays, seconded by Mr. Drummond and unanimously carried to approve an Agreement with PRMG to perform a Rate Sufficiency Analysis for the Electric, Water, Wastewater and Gas Systems in the amount of \$64,500.

Mrs. Eve Walker, Information Technology Systems Manager, presented a request to rescind award of bid for Voice Communication Systems Replacement and award to another firm.

Mrs. Walker explained staff would like to request approval to rescind award of bid to Presidio Corporation and to award the bid to BellSouth Communications System. This authorization would be for a two-year period in a not-to-exceed amount of \$260,000. A letter of intent to rescind was approved by Mr. Koblegard and sent to Presidio in February, 2007. It was cited that past projects have indicated that performance on this project would not meet our expectations. To date we have yet to receive a response from Presidio. The ITS Department has met with BellSouth to determine if they could meet our needs for procurement of Cisco equipment and services to replace our existing phone system. As a State contract provider, BellSouth will be able to meet these needs within our timeframe and within our budget constraints.

Mr. Perona asked Mr. Koblegard if the letter sent to Presidio relieves the UA of any liability. Mr. Koblegard said it is our position that it does. He thinks, clearly, the facts bear out that they did not provide the services as they said they would. He is surprised we have not heard from them, but he feels good about our position on that. Mrs. Walker advised the Board there was a change over in Presidio and that may be part of what has happened. They were bought out by another company.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried to approve rescinding award for Voice Communication Systems Replacement under RFP 5616 to The Presidio Corporation in the amount of \$260,000 and award bid to BellSouth Communications System LLC in a total amount not to exceed \$260,000.

Mr. Craig Brewer presented a request for approval of an additional \$200,000 for electrical services by our unit price contractor, Mastec of North America.

These monies are for projects we expect for the rest of the year. In the near future we will have expended the \$750,000 under this contract. There are monies in the budget to cover this. Most of the projects we expect to have to complete are related to the FPUA well field, Southland Homes, Celebration Pointe, etc. You might recall a few weeks ago he was here and mentioned some of those same projects when he asked for a \$100,000 increase for Utility Lines, our other unit price contractor. The monies he had planned on using with Utility Lines will be used with Mastec. He sent a letter last week to Utility Lines voicing his displeasure with their performance and lack of supervision on site and told them he is not planning to give them any more work.

Mr. Perona said it is indicated that some of these monies will be recouped through contributions in aid by developers. Mr. Perona asked if Mr. Brewer has any idea what percentage will be recouped. Mr.

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Brewer said he doesn't know. Some of the projects like Southland Homes and Celebration Pointe have made some contributions for their projects, but he isn't sure how much. Most of these projects are for single point services. If some of the projects don't materialize, we won't spend the money.

Mr. Brewer said he will be talking with Mr. Koblegard in the next few days about rescinding the contract with Utility Lines Construction. This will probably have to come before the Board for approval.

Motion by Mrs. Cully, seconded by Mr. Summerhays and unanimously carried: Bid 5575: Approve an additional \$200,000 for electrical services by our unit price contractor, Mastec of North America, for the period of October 1, 2006 through September 30, 2007, for the remainder of the first year renewal.

Mr. Frank Varella requested approval of the Travel Expenses Resolution UA 2007-06. He explained this sets out our travel policy in resolution form. Last year, the State legislature increased the meal allowance reimbursement, and we did not have time to update the resolution at that time, although we did update our procedures. We are trying to get our resolution in sync with finance procedures and policies. This is, basically, a housekeeping resolution.

Mr. Drummond said other than incorporating the meal allowance, are the other policies remaining the same? Mr. Varella said the resolution adopted in 1990 was out of date. We changed some of the wording. Mr. Drummond asked, other than the amounts, are these the policies that are already in place with regard to day to day practice. Mr. Varella said yes. Mr. Drummond asked if policies were changed since 1990 at staff level or independently by the Board and never incorporated into one resolution. Mr. Varella said they were probably changed at staff level through practice to make it easier to administer.

Motion by Mrs. Cully, seconded by Mr. Summerhays and unanimously carried to Adopt Resolution UA 2007-06 Revising and Restating the Uniform Maximum Rates and Limitations for Travel Expenses.

Mr. Thiess said we saw our friends at South Florida Water Management District yesterday at the Utility Regional Task Force meeting. The \$10 million request we put in for this year was not awarded by the legislature. We haven't figured out where that broke down yet. We haven't had time to contact our delegation to see whether it maintained support from our delegation and just didn't get the support of the other legislators or what happened. We will do a post mortem to see where the support broke down.

Mr. Thiess said we received the \$7.9 million last year and had requested \$10 million this year, and if we had received the funding, we were going to keep construction of the MWRP on Glades Road moving forward and keep it on a fairly good track. With the withdrawal of support this year, our approach has changed to put it off as long as we can. The recent capacity analysis report we had from CH2M Hill, really looked at the projections from scratch. Last year we really didn't change the projections a lot from the year before. We were still looking at an aggressive growth pattern in the County. This year we told CH2M Hill to go back to square one and see where we are. We got in touch with our developers to see what their build out was looking like on their projects. The result of that is the date we run out of capacity on the island plant went from July, 2009, to mid to late 2012. It is now three years further out. This gives us the ability to push that project further out and keep our

eye on the growth pattern. We will be required to do the capacity analysis reports annually from here on out. It is a FDEP requirement. He thinks we have the ability to push that project out. We can spend the \$7.9 million between the injection well, engineering for the Mainland WRF, and big force mains we are constructing on Jenkins Road. When it looks like growth starts up again, we will start the project up again and go for permits and head toward construction and bids. That was unfortunate news for the plans for the mainland plant.

Mr. Thiess reported that he and Chairman Perona attended the Regional Utility Task Force meeting yesterday. He can best sum it up by saying we may be closer to having something concrete to look at next month. Next month, Doug Manson, the Attorney working for the Water Management District, indicated he will come in with a bullet outline for a memorandum of understanding. That will be the first step where the County Commission, City Commission and Utilities Board will agree on these points, which will lay out all the basic concepts of the utility: how budgets are approved; how rates are approved; how the annexation issue would be handled; make up of the Board, present and future; what happens to the 25% surcharge. All the big picture items that require discussion and negotiation will be in the memorandum of understanding. The goal is to have a joint meeting of all three boards around August or September to hash out the last details in the MOU so it will be in a format the boards can approve.

Mr. Drummond looks forward to seeing that, because he is trying to understand the difference between a Memorandum of Understanding and a Memorandum of Agreement. Mr. Thiess said he thinks the procedure will be to get the Memorandum of Understanding in a format all three boards can agree on laying out the conceptual view of the regional utility. Once that's done you would go back and work on an interlocal agreement. The interlocal agreement will have all the fine details and lay out the agreement the utility would operate under. It is a step by step process. Most of the options that have been tossed out will require a change in the Charter pertaining to FPUA. There was discussion of bringing that forward as early as December. He thinks that is too early. He would be guessing it would be in Spring of 2008 before it is ready for a referendum. Another big part of this is a financial analysis. We will have a conference call next week, hopefully, with PRMG and the County to look at the big picture financially and spell out what has to be done for a financial analysis and rate study to be able to wrap your arms around the whole thing and see what the financial implications are, both for us and the County.

Mr. Thiess said it was pointed out to him by our Risk Manager that we still don't have adequate access to this building for handicapped individuals for meetings. There was talk about making the parking spaces on Orange Avenue for handicapped. Mr. Beach said they were unable to work out the details of that. The handicapped access to the building is being accomplished in the various parking facilities that exist. We don't have parking immediately adjacent to the building. There are handicapped marked spaces in three different parking lots that people are using to visit this building. The ramps and sidewalks and doors that are necessary to comply with handicapped regulations are all in existence. If you are a wheel chair it is not that hard to maneuver, but if it is a disability that doesn't allow you to walk very far, it is an inconvenience to say the least. Right now, we are where we are going to be as it relates to handicapped access. We don't anticipate any changes. For purposes of our office operations, we have transit running all the time from these various parking lots, so a handicapped person would be able to get off right beside this building should they choose that form.

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Mr. Thiess said Mr. Varella told the Board some time ago that we were going to give you an update on billing for inactive accounts. Part of the recommendations from PRMG was to have a readiness to serve charge on inactive accounts. That creates another whole set of circumstances for our financial folks.

Mr. Varella stated a couple of months ago when we passed the Water, Wastewater and Electric rate studies, he told the Board it would be about June when we would start billing inactive accounts. At that time we were expecting to use the Property Appraiser's data base and be able to interconnect and download a file to update these addresses to make it somewhat easy. We are talking about more than 3,000 accounts with one or more services that are inactive accounts that we need to put in our database so we can deal with them. It has not been going as smoothly as we anticipated. We are having to do research and get the property owner in our system and then make sure he has the right account to be billed. We've run into another problem where if it is a manufactured housing development, our current system has the property owner in our system, whereas, we need to find out who the manufactured home owner is. It is taking us a little longer than we anticipated. We will probably start sending out letters in the next week or two to inform the customers that they will be getting bills for inactive accounts. After that, we will start billing them in the next four to six weeks.

There being no further business the meeting was adjourned.

ATTEST:

Secretary

Chairman