

MINUTES OF A SPECIAL MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, JULY 24, 2007, 4:00 P.M., CITY COMMISSION CHAMBERS.

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

Excused: Chairman, Tom Perona

Others Present: Director of Utilities; Director of Shared Services; Director of Water/Wastewater Operations; Acting Director of Corporate Services; Acting Risk Management Manager; Purchasing Manager; FPUA Attorney.

Vice Chairman Drummond called the meeting to order.

The Invocation was given by Pastor George Welch of White City Methodist Church.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Motion by Mr. Summerhays, seconded by Mayor Benton and unanimously carried that Chairman Perona be excused from the meeting.

Motion by Mrs. Cully, 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 July 3, 2007.
2. Purchased Gas Adjustment for firm gas service for the period of August 1, 2007, through August 31, 2007, will be +\$.508/CCF.
3. RFP 5706: Approve additional funds for cabling services to Jorlan Industries, Inc. of Port St. Lucie, FL, in a not-to-exceed amount of \$20,000.00.

Mrs. Nina Hurtubise presented a request for approval of the schedule to increase the Power Cost Adjustment over an eight month period.

Mrs. Hurtubise explained this request is for a \$2.00 per month increase from August 1, 2007, through March 31, 2008. These proposed increases are simply a pass through of significant cost increases we are expecting to come down the line from FMPA as a result of power cost contracts they have with their providers that are expiring. Therefore, FMPA is having to purchase more expensive power to replace it. Another factor is the reduction of our capacity credits from the King Plant. FMPA is expected to increase the wholesale cost of energy that we pay by 8.5%. Rather than increasing the rate suddenly, we would prefer to adjust the impact on the customers gradually. If these increases do not come go fruition, we will address the PCA accordingly. We don't want to over-recover, we just want to be able to recover our costs.

Mrs. Cully said she wants to emphasize that the loss of the contracts by FMPA is due to their expiration. Mrs. Hurtubise confirmed this.

Mr. Drummond said he thinks this is certainly one of the things that came out of last week's workshop with regard to making increases gradual, rather than one major hit. He would hope we could put out some kind of information so the public realizes this is going to be coming over the next few months. Mr. Thiess said we will work with our Communications Manager to make sure something gets out in the press, so it is not a surprise.

Motion by Mayor Benton, seconded by Mr. Summerhays and unanimously carried to approve the schedule for increasing Power Cost Adjustment from August 1, 2007, through March 31, 2008 at the rate of \$2.00 per month.

Mr. Bill Anderson of the Power Generation Department requested approval of the Treasure Coast Energy Center (TCEC) Unit 1 Construction Services Agreement with Florida Municipal Power Agency (FMPA).

Mr. Anderson explained this agreement will govern the activities and compensation for the Fort Pierce Utilities Authority Power Generation Department and employees during the construction, testing, training and start-up phases of the operation of Unit One of the TCEC. The term of the agreement is from August 1, 2007, until the commercial operation date currently scheduled for May 1, 2008. Included in the agreement are details for compensation, which include overhead costs for regular time and overtime. Also, included in the Agreement is the development of a joint operating committee to provide for coordination and implementation of this Agreement. Additional general items included for the detailed administration of the Agreement include the public records requirements, governing law, remedies upon default, enforcement of the agreement, severability, auditing and accounting provisions, dispute resolution and insurance requirements.

Mr. Anderson further advised the Board that on Friday, July 20th, the FMPA Executive Committee approved the same document you see today.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried to approve the Treasure Coast Energy Center Unit 1 Construction Services Agreement between Fort Pierce Utilities Authority and Florida Municipal Power Agency.

Mrs. Nina Hurtubise presented a request for approval of the FY 2008 Capital Budget.

Mrs. Hurtubise explained the amount of the proposed 2008 Capital Budget is \$48,269,629. This represents a 1% decrease from last year. The most costly project is the Hartman Road Substation improvement project. Other significant projects we expect to be doing in 2008 are the drilling and construction of the Mainland Water Reclamation Facility deep injection well, reconstruction of A1A, and the Harmony Heights MSBU. These are all multimillion dollar projects. A third of the budget is expected to be funded by the Fort Pierce Redevelopment Agency (FPRA). Renewals and Replacements are funded by rates and represent about 28% of the total. Capital Improvement Charges are expected to pay for about 17% of the capital budget and grants are expected to pay for about 8% of the total funding.

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On October 1st, the capitalization limit will be increased from \$1,000 to \$5,000. That will increase our operations budget and will reduce the capital budget. The dollars will still be in the budget.

Mr. Drummond said he believes the Mayor indicated at the workshop that the Hartman Road Project is outside the area of the FPRA. Is that amount included in the \$16.2 million? Mrs. Hurtubise said it is not a part of what is expected to be received from the FPRA. Mr. Thiess said we haven't formally asked the FPRA for the funding. There is a connection, because it is related to the King Power Plant shutdown. We think the handwriting is on the wall that it probably is not a doable thing, but we have not been formally denied funding. He believes the \$11,000,000 is still in the budget as being funded by FPRA. Realistically, as we move forward, we will have that question answered and more than likely that will be funded by rates taking care of debt service and not by FPRA. Mayor Benton said it is a legal issue the Attorney will have to answer. Mr. Summerhays said he found in the detail in the capital budget that the \$11,000,000 plus was listed as being from FPRA. Mrs. Hurtubise said that is correct. She stands corrected.

Mayor Benton asked if there is any way we can find a figure between \$25,000 and \$50,000 to put a line item into the budget that says it is towards relocation of the Island wastewater treatment plant? From hearing the discussion at our joint meeting the other day, he asked if we could just put a figure in there in case there are concerns or inquiries from the City Commission or for the ability to look for grants? When looking for grants, people sometimes ask if you have put anything in your budget towards relocation. We could say we have a certain amount for engineering purposes or something. It might be a good thing to do. Mr. Thiess said yes, realistically, there are things in the budget that are for relocation. The money we are spending on design, deep injection wells and big force mains are for working towards relocation of the island plant. That doesn't preclude us from putting a surcharge or something additional on to build up some funding for future expenses. Mayor Benton asked if we could at least title those certain items or put them underneath relocation, so there would be something that would stand out. Mr. Thiess said we could do one or both of those things. We could certainly identify it as related to the island plant relocation, not only the mainland plant, itself, but also the deep injection wells, force mains, and design. All that is related to the future relocation when it happens.

Mr. Drummond said you are not suggesting that we come up with any additional monies. Mayor Benton said no, he is just talking about labeling something. Mr. Summerhays said there is money in the budget already that can be labeled. Mrs. Hurtubise said there is \$250,000 in 2008 related to the mainland water reclamation facility. Mayor Benton said if we could put that in writing because when the Commission looks at it, it will stand out. Mr. Thiess said we can highlight all those expenses so they stand out as relocation expenditures. Mayor Benton said he thinks it will make things a lot easier when you stand before the Commission. Mr. Drummond said he doesn't think it would hurt if we could set aside a paragraph that speaks to these items and suggests they are for relocation of the island water reclamation plant. Mr. Thiess said we also have a detailed accounting of what we have spent in the past couple of years, which is a sizeable amount of money on the main infrastructure. Mayor Benton said that could be included in the summary.

Motion by Mr. Summerhays, seconded by Mayor Benton and unanimously carried to approve the FPUA Capital Budget for FY 2008.

Mrs. Hurtubise presented the FY 2008 Operations and Maintenance Budget for approval.

Mrs. Hurtubise said this is really approving the amended FY 2007 and the new FY 2008 budget. The proposed level of revenues is approximately \$113 million. Estimated revenues for 2008 are \$144 million. The revenues are down a little this year because of decreases in power costs. Unfortunately, they dominate our budget. Because costs are going up in 2008, both our revenues and expenses will both be going up. Everything is at a lower level in 2007 and higher in 2008. Utilities costs and gross receipts costs, which are large chunks of money, are also a function of our power costs, so those, too, are increasing in 2007 and increasing even more in 2008.

Mrs. Hurtubise said the number of positions for 2008 will be the same as it was at the end of 2007. Some of the other significant cost variances are listed in the letter included in the agenda packets. In addition, employee insurance costs are expected to increase 8%. Professional fees have been on the rise. The dollars for contract employees are listed in this category. The head count is in personnel. We are having continuing costs related to rate analysis. We have now built this into the budget. We also have costs associated with the Customer Service Peer Review and Audit. Those will not be recurring costs.

Mrs. Hurtubise said she would like to recognize and has brought with her a number of members of the Finance Department staff, in particular, Sandy Schoecke, Budget Officer. She would like to thank Ms. Schoecke for all her hard work putting the budget together. It is a monstrous task. The Finance staff made unbelievable contributions to the presentation of this budget data. Compiling all this information would not be possible without the assistance of all the key departmental personnel throughout the whole company. She thanked everyone for their help.

Mr. Drummond said he would like to be very clear in his mind. He said Nina indicated we are seeing a very large increase anticipated in revenues, and most of that is power costs. If he read the footnote correctly in the summary as it relates to electric, we are actually expecting a decrease in revenues in 2008. Was he reading that correctly? Mr. Drummond quoted from page 3, halfway down the page, "Projected Unit sales are expected to increase, but over all electric revenues are projected to decrease." Mrs. Hurtubise said that refers to 2007. Over all electric revenues are decreasing by 9.51% from the original 2007 budget to the estimated 2007 budget. That is correct.

Mr. Drummond said staff has done an outstanding job in terms of putting this together. He certainly appreciates everyone's work on this. He enjoyed the workshop with the Commission, because he thinks it went a long way in helping us get through this budgeting process. We will see as we move forward this year, how much it benefits us.

Motion by Mayor Benton, seconded by Mrs. Cully and unanimously carried to approve the FY 2008 Operations & Maintenance Budget.

Mr. Thiess said he would like to thank the Board for its participation in the FMEA/FMPA Conference last week. He thinks staff is very fortunate to have a Board that is fully involved.

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Whether it is a workshop or conference, the Board is always there. It helps keep the Board informed and keeps the working relationship with staff more effective.

There being no further business the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN