

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,  
TUESDAY, AUGUST 7, 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; Ex-Officio Member/City Manager, Dennis Beach.

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

Chairman Perona called the meeting to order.

The Invocation was given by The Reverend Ted Rice of St. Peters Lutheran Church.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Chairman Perona requested Item A-2 be removed from the Consent Agenda for consideration separately.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried that the items on the Consent Agenda be approved with the exception of item A-2:

1. Approval of the Minutes of the Special Joint Workshop Meeting of July 12, 2007.
2. Removed for consideration separately.
3. Approval of Mandatory Reliability Standards Compliance Contract with Florida Municipal Power Agency.
4. Bid 5725: Award lowest and best bid to Rechtien International Trucks in the amount of \$117,645.92 for purchase of one 30,000 pound GRVW boom truck, flat bed.
5. Bid 5738: Approve piggyback of St. Johns County School District Bid for purchase of audio and visual equipment for Energy Services Center dispatch control room and Electric Engineering from BES Industries, Inc. In the amount not to exceed \$54,486.00.
6. Bid 5606: Approve piggyback of City of Fort Pierce bid with Dickerson Florida, Inc. in an amount not to exceed \$834,120.76 for State Road A1A improvements, Phase III from Blue Heron Boulevard to South of Gulfstream Avenue.

August 7, 2007

Page - 2

7. Approve Continuing Contract for Professional Engineering Services for Electrical Engineering with Black & Veatch Corporation beginning August 7, 2007.
8. Approve sale of 13 partial reels of 1000MCM, 15kv underground cable and four partial reels of 750MCM, 25kv cable as surplus to TRC America, Inc.
9. Receive notice of the commencement of consideration of net metering, fuel sources, and fossil fuel generation efficiency as required by the Energy Policy Act of 2005 of the United States Congress.

-----

Motion by Mrs. Cully, seconded by Mr. Summerhays to approve the Item A-2 previously removed from the Consent Agenda approving the Minutes of the Special Meeting of July 24, 2007. The roll was called and the motion carried with Mrs. Cully, Mr. Drummond, Mr. Summerhays and Mayor Benton voting yes. Mr. Perona abstained.

-----

A note was received from The Reverend Sharon Britcher of The Mustard Seed thanking FPUA for a contribution of \$100.00 from Project Care.

-----

Mrs. Hurtubise presented a comparison of residential electric rates for the month of June, 2007.

Mrs. Hurtubise presented a 1,000 kilowatt hour comparison. FPUA is just a small amount below the average and the median. She also showed the Board a comparison of 2,500 hour usage. Our average residential customer uses 1,000 kilowatt hours. FPUA is just a little bit above the \$275 level but still below the municipal average of \$272.70.

-----

Mrs. Hurtubise presented the May 2007 financial Operating Results.

She explained our May 2007 operating results look a little bit better than April's. Our Electric unit sales are up a little bit from last month. Natural Gas unit sales are down, but not as much as they were in the previous month. Unfortunately, Water and Wastewater unit sales are down more than they were last month. May was the first month of the restrictions imposed by South Florida Water Management District. Regarding Revenues, Electric was down 6%, primarily due to the lower Power Cost Adjustment. That is a great benefit for our customers, and we want to pass along any decrease in cost when we can. Revenues were also down due to the Purchased Gas Adjustment. We are passing along the savings we have incurred in the gas system. Water and Wastewater were a little bit less sensitive to decreases in revenue. Water in particular, because of the guaranteed revenue charges, which we charge customers that do not hook up within a year after they have paid their capital improvement charges and agreed to build.

Nina displayed charts to the Board and stated she will continue to show these each month. She thinks there is a lot of interest in the trend of the operating income decreasing at a fairly steady rate. These are averages over the last twelve months. This not just for the month of

August 7, 2007

Page - 3

May. That is how we calculate the debt service coverage, so it eliminates any seasonal increases and decreases throughout the year. It is continuing to trend downward, and we are hoping the heat of the summer pulls us back out of this.

Contributed capital is, again, the support to our bottom line. The big story in contributed capital for the month of May was a check from St. Lucie County for about \$3 million for Capital Improvement Charges associated with the Indian River Estates MSBU.

When comparing 2007 to 2006, the depreciation expense continues to stay at the higher level as we anticipate decommissioning of the power plant in May 2008. We have interest expense on the \$20 million loan that we obtained back in October in order to maintain our operating cash reserves. Less significant is salaries, wages, benefits and training costs were higher as a result of eleven additional positions between 2006 and 2007. We did have some expense decreases in the same time frame in the form of power and natural gas, which we passed along to our customers. We also had lesser distribution to the City this year because of the 40% limitation and the very thin margin we've been functioning under in the recent months. Capitalized interest is a negative expense. The cost of capital associated with the projects we're constructing is assigned to those projects and it reduces our operating costs on a monthly basis. That was significantly more and decreased the expenses.

Our operating results over all are pretty much still below our expectations due to the mild weather and water restrictions, vacant properties and new homes sitting vacant, more efficient appliances and other conservation efforts we have impressed upon our customers to do. We are continuing to seek ways to reduce our costs through operational efficiency as we continue to get to the end of the fiscal year.

Mr. Summerhays said although we actually had an income for the month, we still have a net operating loss for the year. Hopefully, that will reverse. Mrs. Hurtubise said September is generally our best revenue month.

Mr. Perona said he always looks at the gallons not accounted for in the water. It seems we have a pretty substantial jump to 8.75% over the 3.61% of last year. Mrs. Hurtubise believes we don't get too concerned about it until it is up to about 10%. She thinks 3.61% is extraordinarily low. Mr. Perona said he likes to be as close to 5% as we can. He thinks that is where we've been for a long period of time. Mr. Summerhays said he would agree with that. If this doesn't reverse, we probably ought to start looking for leaks and people who have managed to by-pass their meter. Mrs. Hurtubise said we have a program in place where all our larger meters are tested on an annual basis and some of the smaller meters are tested every three years. Water meters can slow down and stop.

Mr. Perona said he saw on the news the other night where one County has a serious problem of people by-passing the water meters to an extreme extent. They even go to the lengths of putting mean dogs in their yard and installing other meters and stealing from their neighbors. He is not familiar with that happening in our community, but he wants to make sure we are policing ourselves.

-----

Mr. Thiess introduced a request for approval of a Memorandum of Understanding (MOU) with the City of Fort Pierce for decommissioning of the H. D. King Plant. It has been mentioned at

August 7, 2007

Page - 4

some Board Meetings and the Joint Workshop that we wanted to come to some understanding with the City as to how we were going to leave the King Plant and what exactly we are going to be responsible for and what we hope the City or their RFP respondent/developer might be responsible for. This MOU lays that out in very simple terms.

Mr. John Tompeck explained the agreement to the Board. Mr. Tompeck stated based on current construction status, the Treasure Coast Energy Center (TCEC) is scheduled to be operational on 5-1-08, and FPUA has informed Florida Municipal Power Agency (FMPA) that operations of the King Plant will cease on that date. Staff was requested to prepare a document outlining the activities required to be completed so the UA may turn the plant site back to the City. In addition, staff was requested to address any issues that may be outstanding after the site has been turned back over to the City and the organization responsible for its closure. This MOU is a result of those requests and staff is asking for Board approval. The first section has to do with turnover condition of the site including security and grounds maintenance. It is our intention to leave the site in a hurricane ready condition. The second section has to do with permits and licensing. This section outlines all the existing permits and licenses and actions necessary to close them or modify them. Most of the work associated with this area is by FPUA. There is one permit the City is required to modify. The third section identifies all the known environmental issues, their current status and the organization responsible for closure. In this section FPUA is also committed to performing a Phase I environmental study which we will turn over to the City for their use. The plant shut-down activity section lists all the major activities required by plant personnel to put the plant in a safe shutdown condition. The last section is the equipment sale and salvage section which outlines our plans to sell equipment or salvage non-salable equipment where practical. The majority of the preparations associated with this MOU cannot begin until May 1, 2008. We anticipate it will take approximately six months to complete all the activities before turning the property back to the City. He thinks the critical issues in the MOU are primarily environmental issues. It is important that everyone have a clear understanding of all the known issues, as well as, the fact that there may be unknown issues that will eventually require evaluation and resolution.

Mr. Summerhays asked if this MOU has been worked out with City staff. Mr. Tompeck said no, it has not. Mr. Drummond said it is his hope we will be somewhat flexible with regard to this Memorandum based on whatever the City has in mind for its RFP. If they want to have more things encompassed in this MOU, so it ups their timetable, he doesn't see where it would be a problem for us.

Mr. Beach said we haven't reviewed this, and it hasn't been through our Attorney's office. He is sure questions will surface that may cause this to come back to you for further consideration. We will need to understand how the decision was made to leave the building in tact, as opposed to the removal of it. There will be any number of issues of that nature. If you are going to sell the material that is there, if you're going to salvage all that material, would it make sense to use the resources generated by that for the dismantling and removal of the facility? It clearly can't remain where it is, and it has to be disassembled and hauled away. How we accomplish that and how that is paid for will probably be the subject of additional discussion.

Mr. Perona said he thinks that is the whole purpose of this. The Board has directed staff to draft something, because May 1, 2008, is coming quickly, and we would hate to get to that

August 7, 2007

Page - 5

time and say, "Here are the keys to your building" and we're gone. The Board and UA are committed to work with the City on this effort. Mr. Beach said this is the way to start.

Mayor Benton said he thinks there is something missing here. He thinks there needs to be a survey of the property, so the City knows exactly what property the UA will still require. There is a lift station on the other side of Moore's Creek. Mr. Thiess said that will remain. Mayor Benton said the City needs to know specifically what they can work with and what they can't. Mr. Beach said he sent Mr. Thiess a letter this week and a copy of a survey asking the UA specifically what property they will need to retain in order to continue both their power operations and whatever wastewater operations exist. Mr. Thiess said there are two separate substations there. Mr. Beach said the one on the west side of Second Street will stay. The one on the east side will eventually go away. Mr. Thiess said this MOU is meant to be a starting point. We have a lot of our issues nailed down. When City staff looks at it, he is sure there will be some give and take.

Mr. Summerhays said he wonders if we are not premature in asking approval of this agreement before it is worked out with the City. Mr. Thiess said this is staff's first cut at it. If the Board is in agreement with it, we could get your concurrence today. If there are some concerns the City has, it will come back for modifications and we will go back and forth a time or two. Mr. Perona said he would like to send it to the City with direction from the Board that this MOU is the starting point of a process to decommission the plant. We can come to some mutual agreement and get this completed. Mr. Perona asked if staff spoke with some of our consultants on exactly how to go through this process? Mr. Tompeck said we did contact Black and Veatch and they gave us a fairly detailed breakdown of all the things that need to be done. He has tried to talk to some of the other utilities, but not too many other utilities have gotten rid of their units, regardless of how old they are. We, in general, know the process in terms of selling equipment, or, if we need to demolish the plant, developing a demolition spec. and all the work associated with that. It takes a significant amount of time to put together those specifications.

Mr. Perona said he just doesn't want to deliver this agreement to the City with absolutes. This is a work in progress that came from the FPUA. He would like the City to look at it, get their ideas on it, and, then, come to some mutual agreement. Mr. Thiess said that is what we intended. Mayor Benton said before we execute a document like this, he would like to see UA staff sit down with City staff. He would like to see it worked out by staff, because there is going to have to be a pool. Funds received from any equipment sold will have to go into a pool to help with dismantling of the plant. There was a little discussion at the City level last night, so he thinks it is best if this is looked at by staff first. Mr. Perona said there needs to be a line in the sand right now that we are moving forward. Just by putting it back to staff, he would lose track of the timing. He would like a motion from the Board stating that we have a Memorandum of Understanding on the table; it has been sent to the City, and we have started the process. Mayor Benton said we could direct staff to meet with the City and come back with something at the next meeting. He thinks the FPRA should be included in that discussion, because he thinks the funding and going out for RFP's will be through the FPRA, because it will be a redevelopment project. He thinks we should bring it back at the next meeting. Jon Ward should be included in the meeting.

Motion by Mr. Summerhays that the Memorandum of Understanding between FPUA and the City of Fort Pierce regarding the decommissioning of the H. D. King Power be approved as a

preliminary document to be worked out between FPUA, City of Fort Pierce and FPRA staff and that we receive a report at the next meeting. Motion seconded by Mayor Benton and unanimously carried.

-----

Mrs. Nina Hurtubise presented a request for adoption of Resolution UA 2007-09 approving the FY 2008 annual budget and amending the FY 2007 budget.

Mrs. Hurtubise stated two weeks ago staff brought before the Board the Operations & Maintenance Budget and the Capital Budget. We are presenting an amended estimate for 2007, as well as, the 2008 budget. Our total revenues for 2007 are not meeting our expectations and, as a result, our budget has been decreased for the year 2007. It is a direct result of decreases in power costs and gas costs. Revenues will be going back up in 2008. We are expecting increases to be passed through FMPA for our power costs because of contracts they are losing as well as our loss of capacity credits due to shutdown of the power plant. We will also experience some increases in utility costs and gross receipts costs.

Mrs. Hurtubise said our electric consumption is increasing. What you are seeing in 2007 is the reduction of the PCA. Consumption is gradually increasing, but operating revenues aren't keeping pace with that because of the lower PCA. We were a little bit optimistic in our estimates of what our customers were going to consume in water and wastewater, but we did not know we were going to have water restrictions. These are the trends in both water and wastewater where we over estimated on the consumption, and we are seeing a gradual increase in operating revenue. We were, also, a little too optimistic in the consumption of Natural Gas. We are seeing a pretty flat consumption.

She displayed operation and maintenance costs net of transfers. The transfer consists of costs that are capitalized, costs that are reimbursed and unallocated contingency. We do budget a contingency that we hope we never spend. We don't want to include that in these figures. This is a better reflection of what we really do expect to spend. Included in the Operations and Maintenance is the Personnel Budget. The Personnel Budget from October 1, 2006, to October 1, 2008, is going to stay net the same number of positions, 306. Overall the salaries, wages and benefits between 2007 and 2008 are increasing 6.8%. Considering the cost of insurance, that is really not too bad. Predominately, the story in 2008 is the fuel costs, purchases for resale. It drives the increase that you are seeing. We are going to have a few decreases due to the closing of the power plant, both in maintenance of equipment, and property and liability insurance. In the event something might happen to the power plant, we might not consider repairing it at this point. We are trying to accrue some savings by reducing the limits on the power plant.

City Distribution – The 2007 numbers relate to the September 30, 2006, revenues. Based on these estimates for 2008, which really are related to 2007 and 2008 results, the operating revenues will not be sufficient to pay the City the distribution based on the 6% formula. Rate increases would be required to bring revenues back to an adequate level. All three, 2007, 2008, 2009, are all based on the 40% of remaining revenues formula. We are currently operating on an extremely thin margin. We are looking at transfers of about \$4.7 million in each of these particular years. They are just estimates. The 6% transfers could be \$5 million in 2008 and \$5.3 million in 2009.

August 7, 2007

Page - 7

Capital – We have had a change in policy that we are going to implement on October 1<sup>st</sup>. Capitalization limits are going from \$1,000 per unit per unit to \$5,000 per unit. It will decrease the capital budget a little bit, but the expenses are going to show up in either O&M or Capital. She wanted to mention that there is one change in the annual budget that was brought to her attention two weeks ago. The funding for the Hartman Road substation has been changed to be reflected as being funded by rates instead of by the FPRA as requested. There is another item on page 142 that they didn't catch, which still reflects that incorrect funding. We will correct that before it goes to the City.

Mrs. Hurtubise pointed out half of our budget is being funded by rates; about 17% is anticipated to be funded by Capital Improvement Charges and about 8% by grants. If those other sources do not materialize, the FPUA will likely have to incur additional debt or defer projects, which is not always a viable option. We have so many projects in process at any given time, it is not always easy to just put on the brakes and discontinue those projects.

A related request was made to identify projects in our 2008 Capital Budget which relate to the Mainland Water Reclamation Facility. She displayed a list of those projects which are also listed on page 24 of the annual budget. They total about \$9.5 million. By the end of this Fiscal Year, we expect to have spent about \$7 million already on projects related to the Mainland Water Reclamation Facility.

Mrs. Hurtubise said she would like to thank everyone who has helped put together this budget, in particular, Budget Officer, Sandy Schocke. She wants to give special thanks to Cathy Kane, Frank Varella's Executive Secretary. She brought us into the year 2007 with a very nice looking budget, and we have some color. She would also like to thank Senior Utility Accountant, Cheryl Bouton; and Acting Controller, Barbara Mika. They both provided great assistance reviewing tons and tons of information that is in the budget document.

Motion by Mr. Drummond, seconded by Mr. Summerhays and unanimously carried that Resolution UA 2007-09 Adopting the Annual Budget for Fiscal Year ended September 30, 2008, and Amending the FY 2007 Budget be adopted.

-----

Mr. Thiess said we have had some discussion regarding Mr. Frank Varella's status. He will be out for medical reasons for a period of several months. We took initial steps to make Nina Hurtubise Interim Director of Corporate Services. Mr. Varella could be out six months or longer. We don't really know what the timeframe will be. We will bring something to the Board if it will be an extended period of time for formal action making Nina Hurtubise Interim Director. We should know by the next meeting. We will keep the Board informed as to Mr. Varella's status.

-----

Mayor Benton said he had a chance to spend a little time the other day with Senator Pruitt. He knows there have been some rumors going around as to why we didn't receive additional funding this year, which we asked the State for to move the Wastewater Treatment Plant off the Island. Basically, Senator Pruitt said there was \$380 million worth of water projects before the legislature and very few were funded this year. He said if you think you have financial issues, you should see theirs. Then, the comment was, if you haven't spent your money yet from last year, spend it, because whatever hasn't been spent, they are going to be

August 7, 2007

Page - 8

looking at getting hold of. They are meeting in special session in September to deal with their issues, just like everybody else.

Mr. Thiess said we will be meeting with Representative Mayfield to look again at submitting next year another request for funding for the plant and see how that goes. Next year there could be a little different climate in Tallahassee. You never know. Mayor Benton said he thinks it is going to be worse. Mr. Thiess said I think you are probably right. Mr. Perona said, but, it's worth the effort. Mayor Benton said he was also told the same thing is coming down the pike next year from the federal government.

-----

There being no further comments, the meeting was adjourned.

ATTEST:

---

Secretary

---

Chairman