

MINUTES OF THE REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, OCTOBER 7, 2008, 4:00 P.M. CITY COMMISSION CHAMBERS

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

Others present: Director of Utilities; Director of Electric/Gas Systems; Director of Water/Wastewater Systems; Director of Finance; Director of Shared Services; Risk Manager; Communications Manager; FPUA Attorney; Purchasing Manager.

Chairman Drummond called the meeting to order.

The Invocation was given by Father Bernard Sheffield of St. Julian of Norwich Old Catholic Church.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Mr. Drummond welcomed Mr. David Recor to the meeting as the new City Manager.

Mr. Craig Crawford from the Gas Operations Department presented the Leader Accident Prevention Award for 2007 as received from the American Gas Association. He explained the American Gas Association gives an annual safety award to twelve of its members for outstanding achievement and promotion of operational safety. These awards were given at this year's AGA Operations Conference. Fort Pierce Utilities Authority was selected as having the best overall safety record for 2007 for a medium sized combination company.

Motion by Mr. Perona, seconded by Mayor Benton and unanimously carried that the items listed on the Consent Agenda be approved:

1. RFP 5838: Award contract to three HVAC contractors: Custom Air Systems, Inc., Grimes Heating & Air Conditioning, and Sea Coast Air Conditioning in the amount of \$25,206.66 each annually for one year with two one-year renewal options for the FPRA/FPUA Home Utility Conservation Program.
2. Excuse Mr. Summerhays from the meeting of September 16, 2008.
3. Approve Payment Agent Contract with Dixon's Food Mart, Inc.
4. RFP 5842: Award contract to five handyman service contractors: Archer Construction, Ark Roofing & Construction, Hennis Construction Co., Spectrum Painting, and Wallace Home Repair Service in the amount of \$25,270.00 each annually for one year with two one-year renewal options for the FPRA/FPUA Home Utility Conservation Program.
5. RFP 5843: Award contract to four home utility conservation inspectors: Alkorp, Inc., Bureau Veritas North America, Inc., GFA International, and MW Patrick in the amount of \$11,875.00 each annually for one year with two one-year renewal options for the FPRA/FPUA Home Utility Conservation Program.

6. Accept renewal quote from National Union Fire Insurance Company of Pittsburgh, PA through Brown & Brown, Inc. for public officials and employment practices liability insurance effective October 23, 2008 and approve funding of \$29,010.00.
7. Bid 5761: Award purchase of three padmount transformers to Wesco Distribution, Inc. as a sole source in the total amount of \$36,981.00.
8. Approve FDOT Utility Work Agreement to remove overhead electric service and replace with underground line from an existing utility pole to the Turnpike's cell tower.
9. Bid 5871: Approve award and execute contract with Enviro-Logical Solutions, Inc. as a sole source for environmental cleanup of North 2nd Street site in an amount not to exceed \$83,305.00.

A note was received from The Mustard Seed thanking FPUA customers for their contribution of \$354.02 from Project Care.

Motion by Mrs. Cully, seconded by Mr. Perona to approve the Minutes of the Regular Meeting of September 16, 2008. The roll was called and the motion carried with Mr. Summerhays abstaining as he was not present at the September 16th meeting.

Motion by Mr. Perona, seconded by Mayor Benton and unanimously carried that the following slate of officers for FY 2009 be elected:

Chairman	Mrs. Cully
Vice Chairman	Mr. Summerhays
Secretary	Mr. Perona
Deputy Secretary	Mr. Drummond
Mayor/Member	Mr. Benton

Mr. Thiess introduced Mr. Larry Pelton, President of the Economic Development Council. Mr. Thiess explained in the past we have made contributions to the EDC in the amount of \$15,000, and staff is recommending a similar contribution for the coming year.

Mr. Pelton asked that the Board consider renewing their membership in the EDC at the \$15,000 level. He stated FPUA has a representative on the Board of Directors of the EDC. Mr. Pelton distributed a copy outlining activities the EDC has been involved in over the past year. The last time he was before this Board, Mr. Pelton believes he said the north county is the future of economic development in St. Lucie County. He verified that by showing the Board a list of the companies they successfully recruited and how many were located in the Fort Pierce area.

Mr. Pelton said there is an emerging coalition between the business community, the government and the utility in Fort Pierce and the EDC. We have all recognized the importance of providing jobs and business investments in the north county. We have all committed ourselves to making that happen. We now have the strongest working relationship we've ever had with the City of Fort Pierce lead by the Mayor and new City Manager. We also have an extraordinarily positive relationship with the Director of Utilities, Bill Thiess. If there is an opportunity to create new job growth up here, it is going to happen because of the team we've been able to pull together. One of the projects he has to mention that EDC is involved in that deeply involves the support of the UA is the development of the research park on Kings Highway. Although that is not in the City limits yet, it is in your service area. We are working very diligently to attract alternative energy and fuel projects to the research park. There is a natural tie-in with the agricultural industry, because most alternative fuel companies are utilizing biomass to create ethanol. It is a whole new addition to the economic base of the north county, as well as the rest of the county. He asked that the UA continue to support EDC financially and with leadership.

Mayor Benton complimented Mr. Pelton for what he has brought to the Economic Development Council of St. Lucie County since he has come on board. Mayor Benton said Mr. Thiess, himself, and Mr. Recor have met every couple of weeks with EDC to try to recruit different businesses. You don't read about it in the paper, because when businesses come here, they like to talk behind the scenes first. Mr. Pelton has been working very actively, and Fort Pierce has not been left out of the picture like we have felt we were in the past. Mr. Pelton has done an exceptional job working with us, so he wants to thank him for that.

Mr. Drummond said he will be consistent. As he's said in the past, he wholeheartedly endorses all the efforts of the EDC and commends their efforts with regard to the businesses and job opportunities they bring to the area. For him it continues to be a philosophical matter. He believes that our role as a utility needs to be to continue to be ready to assist and facilitate any development you are successful in bringing in, and in his mind in many instances that is a very large financial commitment on our part to be able to do so. He might be more inclined to a lesser amount, but at the level requested, as last year, he is not able to support it.

Mrs. Cully asked how long Mr. Pelton has been with the EDC. He replied two years. Mrs. Cully said in those two years Mr. Pelton has been able to accomplish a lot of things already. How about the economy and your efforts? How is that going to affect the EDC in getting businesses in here, which we certainly could use right now. Mr. Pelton said we are imaginative. We are trying to find ways to construct projects, and we have very supportive roles being played by the County and the City by offering what they can, especially in tax exemptions. Very obviously the economy is going to slow down levels of activity, not so much that companies don't need to expand, but where we really have to face reality is in the credit market. We need to see the credit market reopen. No company can expand or relocate without that. We work with existing companies just as aggressively as we do with recruiting companies. Existing companies are facing the same issues as companies we are trying to recruit. It really is going to depend on opening the credit market. Right now debt capital is simply not out there. Until we really

settle down the financial market, it is going to be difficult for anybody to do anything. It will come back.

Mr. Perona said with everything that comes in front of this Board, we have been squeezing every little penny out of everything. It is difficult to actually put money out, but we have taken a lot of little money to make a lot of savings for our ratepayers. It is hard to see sometimes the value, because it is not like we are buying something from you, and you will deliver it tomorrow. We are contributing to something that is going to help the Utilities Authority as well as our citizens. He enters into the same philosophical area with Mr. Drummond, and he is having a hard time facing up to this every year. We are talking about the future of our community.

Mr. Pelton said we have real projects and real companies that are making decisions right now to relocate to your service area. Our intent is to make certain you do get the diversification in your user base so we can build up the industrial user base for the utility. We really are trying to make certain that you more than recover any contribution you make to the EDC. He thinks the County is in a similar situation. They could argue the same thing. We go in front of the County in November with a request to double our funding from them. He feels confident it is going to happen. We can all live in the moment, but if we're not preparing for the future, we really are going to fall victims to the present and past. If we don't work as a team together to attract companies and ratepayers to your service area, there is no recovery for it. The recovery will take much longer. Our intent is to speed up the recovery and build up the utility base.

Mr. Perona said in the same vein as what Mr. Drummond said, he actually got to sit in a meeting with Mr. Pelton before when we were talking about another company coming to this community, and it was what amenities is the UA going to provide? We were not talking \$15,000, we were talking about huge dollar amounts. We get a chance to go to the table to assist in some fashion with these things, but then he thinks about how our investment at least gets the contact into the bargaining stage. That is a twofold obligation for us. Mr. Perona asked what the City's participation is. Mr. Pelton said it is \$15,000 as well.

Mayor Benton said when he came back from Washington in the spring when the GSA was not advertising and they only had one contractor bid on the Federal Courthouse last year, when they allowed us to bid and take the advertising over Mayor Benton called Mr. Pelton and sat down with him, Tony Barnes, and the County and between these three folks, they worked very hard together to get the word out to all the contactors in the southeast. Mr. Pelton's relationships with a lot of people in south Florida basically brought the contractor and many subcontractors to the plate. One of the reasons we are having a groundbreaking on the 29th of October has to do with Mr. Pelton and his organization really helping us out. He thinks that ups the value of the building the City owns. They earned their \$15,000 and more.

Mr. Summerhays said he thought we might have had some communication problems early in the year about what we might or might not be willing to do, but they seem to have been solved. He really thinks we probably ought to step up for another year at least and see what the EDC can bring us.

Motion by Mr. Summerhays, seconded by Mayor Benton and carried with Mr. Drummond voting No, that the \$15,000 contribution to the Economic Development Council be approved.

Mr. Pelton thanked the Board for the contribution.

Mr. Doug Giel, Director of Shared Services, presented a request for approval of the FPRA/FPUA Weatherization and Rebate program.

Mr. Giel explained the program consists of an entire book of regulations, rules, evaluations, affidavits, procedures, bid specifications, etc. This has taken all of six months to put together, and it is a collaborative effort. Bill Thiess was working with a committee including Jon Ward; Eric Winterstein, FPUA Facilities Manager; Bill Abramowicz, Customer Service Manager; Levette Dixon, Communications Manager; Tom Perona, Dorina Jenkins and Doug Giel. In the last six months we've done research, design and planned the program. We spent approximately \$67,000 in labor to do this. It has been well thought out. We took it to the FPRA Board on Tuesday of last week, and he believes it was unanimously approved at that meeting. We hope to start the program on October 15th. We are having an organizational meeting on Friday if the UA Board approves this, and we will start our advertising program next week.

Mr. Giel further stated the purpose of the program is to provide weatherization and rebates to low income residential homes within the FPRA area. Low income is defined by the State of Florida Low Income Home Energy Assistance Program, abbreviated as LIHEAP. The agenda packets show the amounts that qualify an individual with one, two, three and four members in the family for low income assistance. Of Fort Pierce customers, 47% are renters in the FPRA area. We are going to use the income for the renters and not the income for the landlords to make a determination of whether they are qualified. The weatherization program consists of the following items:

We have an audit of the home room by room with the customer present, so it is an educational issue as well. We will insulate attics to R30, replace all broken glass if any, provide caulking, weather stripping, low flow shower heads, programmable thermostats, and an air conditioning inspection, which includes air ducts, refrigerant levels, filter replacement and any other mechanics of the air conditioning system itself that may not be working correctly.

We have three insulation contractors, three air conditioning contractors, five handymen and five home inspectors. Most of those are located in Fort Pierce and Port St. Lucie. There are a few in Jensen Beach and Stuart. The whole program has been approved by Mr. Koblegard who has reviewed it to make sure we are in conformance with all rules and regulations and laws. It is a three part program. The first part is the weatherization program, which we will start on October 15th. The next part would be a rebate program for air conditioning only, and that will start on November 20th. On January 30th we will start the second half of the rebate program for all other appliances, which include refrigerators, washers, dryers, hot water heaters, etc. We haven't really determined all the details of the phase three program yet. The FPRA is going to be giving us \$500,000. Of that amount, \$455,000 is going into the weatherization program and on the average

it will repair 204 homes. The average price to rehabilitate a home with weatherization would be \$2,228. The maximum we would spend on any one home would be \$3,000. Of the remaining monies, \$35,000 will go to rebates and \$10,000 for advertising and educational materials. The FPUA is going to put in \$107,000. Of that, \$94,000 will be in labor, since we are going to be principally the administrators of the program. \$10,000 of that would go into advertising and educational materials making it a 50-50 split with FPRA. The remaining \$4,000 will be for independent audits we would do for customers who are not qualified as low income homeowners in the FPRA area.

Mr. Drummond said we have had discussions before, and he recognizes it is the FPRA's dollars, but he was hopeful there would be some component in here to be able to come back and evaluate the effectiveness of these efforts once the improvements have been done. Is there some mechanism that we are looking in terms of developing to do that? Mr. Giel said yes. We are going to get the consumption of utilities six months prior to the weatherization and measure the drop in consumption for the following month after weatherization is completed.

Mr. Recor said the FPRA Board was also very interested in looking at the before and after to make sure the money is being used effectively and pretty much indicated they would not only be willing to fund, but add additional resources if indeed we see the anticipated difference through the program.

Mr. Perona said he had an opportunity to sit on this board and be a part of it. When it started off the FPRA represented a push to get this done as fast as possible, but the money part, and he doesn't mean this disrespectfully, was the easy part. He really has to congratulate staff for a very intense and concentrated effort to identify our vendors to work through the system and the plan. We wanted an absolute success. That is our key. We have a chance here to do a lot of beneficial things for certain parts of our community, and he thinks based on the conversation with Mr. Ward that if we're successful with this, there is a possibility this may be an on-going program more than 204 homes. We might be talking 500 homes as long as we are able to show some continued benefit to our community and our rate payers. He knows this Board would support any push on our side to make sure this weatherization program goes forward. The only other thing he would like to see the UA get behind, he would like to see the \$10,000 for conservation and education to be a little bit more. It is like buying a brand new computer and not knowing how to use it. We have all been watching the research, and utility bills are not going to go back to where they were five years ago. We are going to have to change our ways and be the leader in the community and show people how to do that. We can go in and seal windows, put in insulation, programmable thermostats, new appliances, etc. but if we don't back it up with an educational plan, we will not get the affect of this program. This is the tip of the iceberg. Staff has done a beautiful job with it all. It makes sense. It was little difficult at one time, because we are talking about landlords that own these assets that because their tenant is going to qualify, we are going in and spending money in their houses. The tenant is the one that is going to benefit from this. That was a stumbling block, and he is glad to see the UA and FPRA jumped over that stumbling block and said let's go ahead and benefit those that are paying the bills.

Mayor Benton said he wants to thank everyone, because the FPRA Board was adamant that they wanted to get this up and going. He is glad we took the time to do it right. The City's first shot at this a couple of years ago, the unfortunate thing was we were getting into homes that had structural problems, and we were replacing windows and the next thing you know, we were replacing rotten wood. We have defined what we need to do, so we can do a lot more homes and make them energy efficient. He has been saying for a couple of years now it is time that we conserve. He thinks it is educating people not only on why we have to conserve, but also the taxes that are coming because of where we get our energy from, which will make the price go up even more and it is out of our control. Whatever we can do to convince people to conserve is a step in the right direction.

Mrs. Cully said we are starting this off at the end of the summer at the hottest season, and we have a few months before we get into any cold weather that might be noticeable. Have you given any thought as to how long it will take to get into these homes? Mr. Giel said we will average about four per week. The initial start up will probably see a jam up of applications at City Hall, because they have to be income qualified. The process they have to go through over there may take a few days or a few weeks. He isn't sure. Once the pump is primed and we start to get applications approved, we feel we have enough contractors to do at least four houses per week. Mrs. Cully asked if we know which homes we will be doing? Mr. Giel said no. It would only be homes within the FPRA area and low income, but we have not identified anybody yet, because we haven't released an application to be completed.

Mrs. Cully said she thinks staff has done a wonderful job and feels this will be a great program. She thinks we will see it is going to have to be improved upon, because we will see things that come up. She can see some things from being in real estate with the different tests that have been done or that you have had to have done to get a mortgage and so forth. The inspectors go back and back and find more and more things wrong with the home. She said next year or next time around the same people will not have the opportunity to go back and get another inspection in order to get more repairs done, correct? We will go to a different group of people. Mr. Giel said we intend to weatherize a home once. We don't have a time limit on how long it would be before we would go back and do it again. Mrs. Cully said that is what she was concerned about. Who is going to manage, coordinate, moderate this whole thing? Mr. Giel said the procedures are that we would do some advertising next week, get the word out in the community that we are open for business, and hand out applications, go over how to fill out those applications in our Customer Service lobby at 206 South 6th Street. In addition, customers can go to the FPRA at City Hall or the Department of Community Services and pick up an application and have it completed. In some cases if the renter fills it out, because they are the customer of FPUA, they will have to get the homeowner's permission to get any weatherization improvements to the home. There may be a little bit of delay because they will have to get a signature and have it notarized. All of that material is turned into the Department of Community Services and they will do an income qualification verification. He doesn't know how long that will take. Once it is completed and a determination is made that the home is actually within the FPRA area, it will be sent over to the FPUA Facilities Department, who will then be the custodian of record, and they would be the scheduler with the contractors to get the work done. We would turn it over first to a home energy auditor who would go out, do a room by room

inspection with the customer, and, hopefully, an education exchange will take place there about what the customer can do to conserve even after the improvements have been made.

Mr. Summerhays asked if we have put anything in there where we are going to attempt to control and watch and make sure the landlord does not attempt to raise the rent in response to repairs paid for by FPRA and FPUA. Mr. Giel said yes. Mr. Koblegard found that in State law and we added it to the application just above the signature line for the homeowner, so they are aware they cannot do that by State law.

Mrs. Cully said that is something that has bothered her. She is glad we are going to include the renters, because everyone in the low income bracket needs to participate and be educated as well as a lot of others on conservation. She has a hard time having these homes fixed up when she thinks it is the responsibility of the landlord to do so. She is hoping if we do this next year and move on with this, the FPRA will look at this and see what we can do about that. She personally thinks they should have an inspection of the home every time they change renters in the future.

Mr. Recor said this program has been a long time in the making, as you are aware. Last year the FPRA had committed \$350,000 to the program. We were not able to get it done. We have worked together and developed a partnership. The FPRA said we want \$750,000 and use the money we had last year. In reducing the budget gap this year, the FPRA allocated \$500,000 for this purpose. A key component of this is the before and after. As long as we can demonstrate there are differences in improved efficiencies and economy, he believes the FPRA is committed to adding additional resources to the program in the years to come. Mrs. Cully asked how much FPUA has spent. Mr. Giel said from April of this year until today, we have spent \$77,000, \$67,000 of which is in labor, and the other \$10,000 is for two large TV screens in the Customer Service lobby where we will run continuous conservation program information being developed right now as long as the lobby is open.

Mr. Perona asked if this includes the participation by FMPA. Mr. Giel said no. FMPA will contribute \$75,000. Mr. Thiess said those funds will be available shortly, and we intend to use those funds outside the FPRA beginning with a rebate program and possibly getting into other areas as we have the time and opportunity. Mrs. Cully said she is glad to hear that. It is great we're doing this within the FPRA, but there are a lot of low income homes outside that area, but within the City. She is sure they would like to participate if possible.

Motion by Mr. Perona, seconded by Mr. Drummond and unanimously carried to approve the FPRA/FPUA 3-Phase Weatherization and Rebate Program targeting low-income customers in the Ft. Pierce Redevelopment Area with weatherization improvements to their residences.

Mrs. Nina Hurtubise, Director of Finance, presented the residential rate comparisons for the month of August, 2008.

Mrs. Hurtubise showed the Board a graph of municipal electric bills for the State of Florida for usage during the month of August for 1,000 kilowatt hours. FPUA is identified as being fourth highest in the State. This represents an improvement in our position relative to the other municipal utilities even though our bill amount for August is the same as it was for July. We are beginning to see increases from other utilities. Since July, 19 of the utilities have increased their bills while 3 have decreased their bills. FPL's first increase took effect in August. This represented an increase of \$7.94 per 1,000 kilowatt hours. The IOU average increased by \$2.75. Ocala reflects an increase of \$33.49 per 1,000 kilowatt hours since July. Quincy has increased \$21.10 per 1,000 kilowatt hours. Starke increased by \$13.30 per 1,000 kilowatt hours. The municipal average increased by \$3.40.

The 2,500 kilowatt hour chart is similar, although the top five shuffle around a little bit. She believes FPUA's relative position in this comparison is going to continue to improve in the coming months. This is her speculation. It seems the newspapers don't always pick up on future rate increases. We try to watch for them, but one big one we saw this week was Tallahassee. They are anticipating raising their rates by 8.3% on October 1st. If they do, it will put them almost \$8.00 higher than our rate.

On the local comparison, she is waiting for Vero to raise their water/wastewater rates. Port St. Lucie's water and wastewater rates are higher than ours. There is a difference of about \$19.00 from Vero Beach. She doesn't understand how they can continue to have those rates. On the electric side, the difference is only about \$9.00, but again the big difference is in the water and wastewater rates.

Mrs. Cully asked if she read FPL is going to have another rate increase in January? Mrs. Hurtubise said all four of the investor owned utilities that generate power in the State of Florida are going to the Public Service Commission in November to increase rate increases in January. Mr. Summerhays said some of those increases are over 20%, as he recalls. Mr. Thiess said Progress Energy is requesting a 31% increase, which would put them higher than we are presently. The last numbers he saw, FPL was looking at an 8% increase, plus 7% in January. The gap you see between the investor owned utilities and municipals will shrink considerably by early next year.

Mr. Tom Richards gave a power point presentation on the Electric System's FY 2008 Major Projects.

Mr. Richards explained the purpose is to inform the Board about some of the projects we have been working on, following Mr. Perkins' presentation last month of Water and Wastewater Projects. These are projects we have been working on during Fiscal Year 2008, some of which, in spite of the best efforts of our Finance Department, actually do spill over into the new fiscal year. You will see some that are still on-going. There are no gas projects to speak of. Except for some main replacements here and there for road projects that are minor in nature, there is not much going on in the gas area.

Mr. Richards displayed a list of projects stating the ones that are highlighted will be discussed here. He will go through these pretty quickly and will be happy to make copies of the presentation for the Board at their request.

You have heard a lot about the Hartman Road Substation. Altogether this is an \$11.3 million project. It consists of a couple of phases. There is quite a bit of work to be done there. Just to give you an idea of the scope, Phase I includes setting of new foundations and replacing transformers, reconnecting them and removing the old transformers and getting rid of them. We have already installed two new transformers and their associated 69 kV breakers. We have installed a new electrical buss and foundations. Phase II is to bring in a third line from Florida Power and Light to strengthen the transmission capacity to the substation and, also, to change out all the ones having 8 kV breakers. He showed the Board an aerial view of Hartman Road Substation before, during and after construction. He show photographs of the new transformer, which was purchased from Korea under the lowest and best evaluated bid. Dry, the transformer weighs 3,555 pounds. He showed a photograph of the transformer fitted out with radiators added. The radiators have fans, and there are pumps in the transformer. The transformer is oil cooled. The oil is circulated through the radiators and the fans cool the radiators and keep the transformer cool. The other major part of fitting out the transformer other than filling it with oil, was to add bushings on top. That is the way we get the high voltage lead into the transformer. Switches were added. Some of the work was civil in nature. He next showed an aerial photograph with sketches superimposed showing improvements. He displayed photographs of Phase II work that has been done, explaining the work and what still needs to be done. We are still getting the right-of-way for the transmission line for FPL to get from 37th Street to our substation.

He further explained as part of the King Plant retirement we are making some modifications to the King Substation at the corner of Second and Backus. That involves taking a breaker out of the power plant substation, which is going to be retired anyway, and moving the connection point from that line from one substation to the other one. It is not quite as easy as it looks. We need a new pole in front of King 5 substation, which is at the southwest corner of the same intersection, and then we can swing a line over and remove some poles. There are three poles to be removed.

Mrs. Cully said she has been a little confused. The substation that is going to remain is on the other side of the street. Mr. Richards said that is correct. The structure inside the power plant area on the southeast corner of Second and Backus will come out. We will replace one pole with a bigger, self-supporting pole, which means it will not have to have guy wires but has a big foundation.

State Road A1A is another of our large projects. It is part of the highway department widening in conjunction with the City. It is being done in several phases, some of which were done in a different order than it may appear. There is a significant budget for the electric portion of the project. The FPRA has contributed a significant amount. Phases 2A, 3A and 3C are complete. He showed the Board photographs of the project. He pointed out where electric poles will be removed and lines placed underground. He showed photographs of a large duct run with six and four inch conduits for power and fiber optics. In this case, these were encased in concrete to give them protection. He showed photographs of the new storm hardened overhead lines which were built southbound on A1A from Ocean Village.

Another major project is 25th Street from Orange Avenue to Avenue Q. FPRA is also participating in this project to remove all the overhead lines and place them underground. There is still a street lighting secondary line that is overhead, but it will be removed and placed underground.

Mr. Richards showed photographs of the US 1 line reconstruction and relocation to get out of the way of the highway department's repaving. We are building the line to new hurricane standards from Edwards Road to Taylor Creek. Wooden poles and cross arms have been removed and replaced with concrete structures and vertical framing. The railroad crossing forces us to go very high. He believes there is a 42 foot clearance over the tracks.

Lawnwood Substation regulator replacement is another major project. This is ongoing. We are replacing all eighteen regulators in the substation. Also, while we are in there, we are relocating a couple of feeder exits and upgrading the cable for a little more capacity. This is an older substation that is kind of congested looking. He pointed out two poles that will come out when we're done and three regulators being replaced. The regulators are pretty old, and it is a preventative measure to replace them.

We are doing a storm hardening report to the PSC. We are required to do an inspection of our system once every eight years. We've hired Osmose to do that. They have completed all the field work, and we are finishing loading all their statistics and materials into our facilities computer system. We have 275 miles of overhead and about 100 miles of underground electric lines. We have over 6,000 distribution transformers.

Vegetation management is part of our ongoing process. We spend about \$400,000 per year on vegetation management, so it is not insignificant. It is probably the single most effective manager of reduction of outages. With certain exceptions we're trimming everything on a three year cycle. We have some areas where pole lines are built on unimproved rights-of-way. He showed a photograph of the line that runs from Edwards Road along Glades Cut-off railroad down towards the old Indian River Foods. There is also a gas line in this right-of-way. It is trimmed every few years.

Part of our new policies and standards are to review and build for flooding and storm surges. We are abiding by the FEMA 100 year flood zone for all new construction. We are looking at attachments by other utilities. Osmose is visiting every pole, and we have nearly 20,000 poles in our system. They have inventoried the equipment and looked at the condition of everything on the pole. They have given us a GPS location on the pole. They are educated enough to look where there might be clearance or safety issues. They also do the sounding. They rap on the pole with a hammer and listen to see if they can detect hollow poles. We pay special attention to southern yellow pine poles, which we have a lot of, because they don't stand up very well depending upon what kind of treatment they've had. Some chipping is done at the base to see if the exterior shell has rotted and, maybe, some digging around the pole to a depth of about 24 inches. They do some boring and when they get down to solid wood, they measure the circumference and they have some tables to use to determine whether there is enough strength left in the pole for it to pass the test or whether it needs to be replaced. Mrs. Cully asked how long the poles last. Mr. Richards replied depending upon the pole, they will last twenty to thirty years. The new poles are lasting longer than the older poles. The treatment for

rot and insect resistance is much better than the old treatment. We still have a lot of old poles that need to be inspected. Ultimately we have inspected all the poles by substation and have a recommendation for boring of about 2% of those, and we figure maybe 10% of the 2% may need to be replaced.

The final project to be discussed today is the King Plant demolition. We are making money on this as long as we don't make any more changes to the scope. He showed pictures of examples of asbestos that had to be removed before the general demolition could begin. Most of the boilers have asbestos in the insulation, so the boilers have a steel skin. They have refractory material that had asbestos in it. It all had to be removed and properly disposed of. The siding material on the office portion of the building on the east end, which was a sandwich of aluminum on the outside with asbestos material on the inside, had to be disposed of. The windows all had asbestos caulk in them. Someone actually bought the weld shop from the contractor and took the entire structure away. They also wanted a little building we used to store oil. Mr. Richards show the Board before and after pictures of the cooling tower site. It is gone. The contractor is cutting the boilers up manually inside the plant and taking them out chunk by chunk. We have people with cutting torches cutting all day every day. We are doing a lot of environmental testing and monitoring, looking at areas we can get to now. Some of the monitoring wells have been removed.

The Board thanked Mr. Richards for his report.

Mr. Curtis Morris, Water/Wastewater Operations Superintendent, presented a request for acceptance of sewer rehabilitation bid 5591.

Mr. Morris advised the Board acceptance of this bid would authorize a purchase order for a contract between Miller Pipeline Corporation and Fort Pierce Utilities Authority, which piggybacks an existing contract with North Miami Beach, not to exceed \$400,000 for fiscal year 2009. This request is to continue our rehabilitation of our sanitary sewer system or gravity system. During FY 2008 this Board approved a purchase order for \$475,000, of which we were able to spend \$473,000 before we ran into the end of the fiscal year. This contract represents a continuation of that program. It is designed to decrease the infiltration and intrusion from groundwater into the system. It is a very cost effective method of repairing lines that are not physically damaged to the point where they're crushed and you have to dig them up to point repair them. You can actually make the repair by inserting a slip liner into the pipe, which makes it a little smaller in diameter, but because of the factor of the smoothness of the barrel comparing the liner versus the old clay pipe, you still don't have degradation of flow capacity. With Board approval we will be able to issue the purchase order and continue our rehabilitation of some very badly needed repairs.

Motion by Mr. Drummond, seconded by Mr. Perona and unanimously carried to approve Piggyback City of North Miami Beach bid for sewer rehabilitation services to include lateral lining and additional services not provided by our current contractor and award bid to Miller Pipeline Corporation in the amount not to exceed \$400,000 for the period

from October 1, 2008 through September 30, 2009 with one, one-year renewal option under Bid 5591.

Mr. Tim Perkins, Director of Water/Wastewater Systems, presented a request for approval of renewal of a contract with Ditchdiggers, Inc.

Mr. Perkins explained this is the first of three potential renewals of last year's contract award. We are requesting approval in the amount of \$1.2 million, which includes \$200,000 for the Avenue Q project to be funded with FPRA/CDBG funds. This is a sanitary sewer project where we are installing lines for about 28 residences. This contract contains a 3% price increase for labor and materials. In addition, we have one change he would like to explain. We have four items, plus fuel, that we are requesting the ability to adjust monthly because of the volatility in fuel costs and materials costs. In addition to the fuel, the materials consist of asphalt, coquina rock base, #57 rock and concrete. We are asking that we be allowed each month to evaluate the contractor's actual material invoices and look at his average cost for that month and if they exceed 5% more than the month in which we renewed the contract, which would be this month, we would adjust up or down. Because those items have been so volatile in this past year, the contractor requested this change. He is holding all his other material prices to the 3% increase.

Motion by Mr. Perona, seconded by Mr. Summerhays and unanimously carried to approve the first of three one-year renewal options with Ditchdiggers, Inc. for installation of underground utilities for Water/Wastewater Systems in an amount not to exceed \$1,000,000 annually and an additional \$200,000 for the Avenue Q project to cover plumbing work to be funded by FPRA/CDBG funds for the period of 10/1/08 through 9/30/09, plus the flexibility to adjust unit prices for certain volatile materials under Bid 5740.

Mayor Benton said Mr. Thiess sent him an e-mail that had to do with Vero Beach, an opinion page from the newspaper. He picked up on a partnership Vero has with Orlando and a huge cost savings starting in 2010. Mr. Thiess said they think it might be. Mayor Benton said he sees where Orlando is on that comparison chart, and he is wondering maybe we should look into that partnership. He is wondering if that is fact based, because there was a pretty big number in the article.

Mr. Thiess said the jury is still out on how huge that cost savings will be. They have participated in one of the methods of opting out of FMPA's All Requirements Project. They gave notice in 2005, so in 2010, they can pull their resources out of the All Requirements Project. They are required to take the difference between their maximum demand and their resources for another 25 years. In a few words, that is the best way to describe it. Vero will probably see a decrease in their rate, short term. We don't know how much that will be. He doesn't think they've sorted out all the intricacies of who is going to dispatch the power, etc. We have a consultant lined up to evaluate a similar scenario for us, and we will probably initiate that work within the next couple of weeks just to see what would happen if we chose the same path. He thinks that will pin down

reasonably well what will happen in that five year timeframe and get the benefit of those resources directly without going through FMPA. What it won't tell you and what Vero is gambling on also is what is going to happen 25 years out at the end of that timeframe. You might have a short term advantage by reducing your rate for five years, but you have to weigh that against the long term risk of being out in the free market for purchased power agreements. That could be very risky and expensive. Our gut feeling is that FMPA, long term, is going to be a better deal for us. Vero had some other issues with their negotiating of their contract and that not working out for them. We did not have those issues. It is a little different for us, but, yes, we are going to look at it. He anticipates we will be initiating that work within the next week or two.

Mr. Summerhays said he understands after election day Vero Beach may not have control of the utilities. They have a legislatively mandated vote on the Utilities Authority. Mayor Benton said he thinks the editorial he read said that was not going to happen. Mr. Thiess said he believes the criteria the legislature outlined to try to capture the City of Vero Beach didn't quite capture it, so he thinks they have an out on doing the referendum. Based on what he has seen in the papers and in talking with the utility folks up there, they are going to address the issue of representation outside the city limits, and they are looking at several options to do that. He is not sure whether they're considering changing the composition of their utility advisory board or what.

Mr. Perona said during this current time where fuel costs are rising and power costs are really high, even if we wanted to, think about thirty years down the line. He asked what our assets are? Thirty five or forty percent right now? Mr. Thiess said we have about 40 megawatts of power. Mr. Perona asked if it is 1/3rd. Mr. Thiess said it is somewhere in that neighborhood. Mr. Perona said we have 1/3rd the power right now. In five years we'd have 1/3rd, maybe even more because of our demand and we would still for the balance of that 25 years have to buy the balance of that from FMPA. He is glad we're looking at it, because he thinks we have a fiduciary responsibility to at least take a look at it and either affirm the actions of the past or cause change in the future. He is thinking down the line he would hate to poison a well that the future citizens of this community would have to put up with.

Mayor Benton said what surprised him is he didn't realize Orlando had the ability and resources to sell power to other communities. Mr. Summerhays said they do right now, but they might not when they need it. He talked to several Vero Beach Commissioners and they really had no idea whether Orlando was required to sell them power or how the price was going to be determined. They thought it sounded like a good idea.

Mayor Benton said he just had to ask. Time will tell for them. Everybody said FPL will give you a better deal. The big guy will, but once you get in the door, he's got you. You will have no other choice.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN