

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, APRIL 1, 2008, 4:00 P.M., CITY COMMISSION CHAMBERS

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

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

The meeting was called to order by Chairman Drummond.

The Invocation was given by Craig Brewer.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Motion by Mr. Perona, 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 March 18, 2008.
2. Bid #5816: Approve extension of an on-line North American Electric Reliability corporation (NERC) Certification Training for Electric T&D Certified Dispatchers with Systems Operation Success, International, LLC in the amount of \$32,900 as a sole source.

A letter was received from Mustard Seed thanking the FPUA customers for their generosity in donating \$346.35 through Project Care.

Mrs. Nina Hurtubise presented the Rate Comparisons for the Month of February 2008.

Mrs. Hurtubise stated she was presenting two elements of the electric rate comparison that is compiled by the Florida Municipal Electric Association. We present both 1,000 kwh, as well as 2,500 kwh, in these comparisons. Presented on the screen is the 1,000 kwh comparison for the month of February 2008. At that time, we stood with 20 municipal utilities with rates less than ours; but there are still 12 municipal utilities that have rates higher than we do. As compared to January, we have only moved one notch to the right. As the Board can see, we do not have extraordinarily high rates. We are still pretty much in the middle of the pack, a little higher than we would like to be, but as of February we were still very much with very competitive rates compared to other municipals. We also have a 2,500 kwh rate comparison, and we are a little bit higher up on this one. There are 24 utilities that are less and eight that have rates higher than ours. As the Board can see, Starke is off the chart. In any event, we are a little bit higher again than we would like to be here, but we are not at the very top by any means. We are still very much in the middle of the municipal arena in terms of electric utility rates. This is just electric.

Mrs. Hurtubise said she is also presenting the local utility bill comparison which includes both electric, water and wastewater rates. This does not look as favorable as the comparison on the electric side; however, the Board can see that there is not a dramatic difference in the rates. We are about \$5.00

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higher than Port St. Lucie and about \$13.00 higher than Vero Beach, but still very close percentage-wise for the standard 1,000 kwh bill and the 6,000 gallons water and wastewater bill.

Mr. Bill Thiess requested that the next item, approval of salary increases for exempt employees, be pulled from the agenda. He has received some requests from Board members for additional information, comparison information, that sort of thing. Staff would like a little time to put that information together, and get it back out to the Board so that the Board can make a more informed decision on the exempt increases.

The item was pulled from the agenda.

Mr. David Mellert of Water/Wastewater Engineering presented a request to approve a change order in the amount of \$463,600 with Globaltech.

Before the Board today is a continuation of a project that we actually approved last year. South Florida Water Management granted us \$460,000 in assistance for drilling two new Floridan wells, wells that we call FA-7 and FA-9. That project is complete. We applied for an additional grant to build the wellheads, the actual mechanical, electrical components to go with that, and South Florida came through again and provided us a sum of about \$260,000 to assist with that project. This proposal before the Board today is the contract proposal to complete the wellheads. A little twist to this is that we had three contractors working for us at the time, one of them drilling the deep injection wells at the municipal power plant down on Glades Cut-Off Road, or he should say Post Office Road. We also had All-Webbs who drilled the wells FA-7 and FA-9, as well as Globaltech who was drilling surficial wells up along the Belcher Canal. So with the three contractors we already had on contract, rather than soliciting public bids we solicited directly to those three. Of the three bids, we only received one. There are letters here. One of the contractors indicated he was too busy and could not get to it, the other one indicated he did not have enough time to put the bid together, and then the proposal from Globaltech. We met with our consultants, Boyle Engineering, asked them to review the proposal, and they feel it is in line. In fact, when we submitted the grant application, we put in there that the project costs would be approximately \$600,000. So, the \$463,000 that is before the Board today is in line between the budget and what we had originally thought. Plus, we still do have the grant of \$260,000 from South Florida. With that, it is our request that the Board approve a change order with Globaltech for the \$463,000 to perform and construct the wellheads on FA-7 and 9.

Motion by Mayor Benton, seconded by Mrs. Cully and unanimously carried to approve a Change Order in the amount of \$463,600 with Globaltech for the construction of Floridan aquifer well heads FA-7 and FA-9.

Mrs. Nina Hurtubise presented the Quarterly Financial Operating Results through December 2007.

Mrs. Hurtubise stated that our income before City distribution and capital contribution is up from last year to \$1,454,000. That is better than last year, but because of what is really probably more of a one-time grant, a continuation of the grant she has been speaking of with regard to even last year's operation, about \$1.5 million in grant revenue was received during those first three months of the year, and it shows right in our bottom line. Our capital contributions continue to be just out of sight, \$4,917,000 for just three months. Again, those are restricted.

The other highlight with respect to our operating results is that we are continuing to experience decreases in consumption in the water, wastewater and natural gas systems. Our electric is actually up a little bit. The units sold for the first three months: electric is up 4%; water is down 14%;

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wastewater is down 10%; and natural gas is down 4%; a continuing trend. Operating revenues: it is not as dramatic on the revenue side fortunately, electric is up 11%, that is attributable to general service sales increasing from last year at this time. They are up 13%, so we are doing more business with businesses as opposed to residential. Water revenues are down 2%, wastewater revenues are down 2%, and natural gas is down 8%. But again, these are significantly smaller increments than the increase in electric, so we are thankful there.

Our operating income and debt service continues to be consistent, and we are again very thankful for that. The debt service coverage for the 12 months ended December 2007 is 2.37; it was 2.35 at the end of the fiscal year. Again the operating income has been consistent for the last three months, and it is clearly reflected here. Last year it did not look anywhere near as good. So we are again very thankful, it is looking better.

Contributed capital: the last time I did this presentation for November, I choked a little bit on the numbers that I was presenting to you, but indeed the numbers that I presented at that time, and as are reflected here, are indeed correct. What she had overlooked was that we received a little over \$2,000,000 from St. Lucie County for the Harmony Heights MSBU; that is the \$2,000,000 in the water contributed capital cash. Usually we do not receive that kind of money in cash contributions, but the MSBU money we received from the County shows up as such. Also, there is \$977,000 included in the electric contributed capital, again kind of an odd occurrence. These are one-time revenues; these are not things that happen over and over again. It was received from the Fort Pierce Redevelopment Agency for undergrounding the electric lines on South A1A. She wishes to once again point out that the contributed capital that is received in cash is for specific projects and cannot be used for operations. The non-cash contributed capital are assets that are transferred to us. We cannot spend that \$1,000,000 on operations, and the capital improvement charges are for new construction. So, none of these funds, although they are quite substantial, can be used for regular operations, and they cannot help us with our rates, unfortunately.

Some of the expense increases that we have been seeing so far in 2008: our purchases for resale are up over \$500,000 in just three months, however it is still within budget, it is not beyond what we were expecting. However, the PCA and PGA recovery were only about half of that \$632,000, thus the reason for the need to increase the power cost adjustment. Depreciation continues to rise. Only about \$117,000 of that relates to the power plant. The rest relates to assets that we have recently placed in service, constructed and are now depreciating. Again, probably no surprise, these are lesser dollar amounts, but there are significant percentage increases. Gas, oil and lubricants: she does not think anyone would be surprised to see a 30% increase not related to consumption, merely related to price in the past year. Our workers' compensation insurance is up 29% from the year before, something that is virtually uncontrollable. We do have a wonderful safety program, but if workers' compensation rates go up, we have to pay what they charge us. Employee insurances, which include health insurances, life insurance, that sort of thing, is up 13% from last year. So, we do indeed have a variety of expense increases that we are experiencing.

Those are the highlights.

Ms. Cully stated that on the operating revenues, it says the water, wastewater and natural gas are all down in unit sales. She asked whether that is again basically through conservation and the restrictions on water.

Ms. Hurtubise replied in part, certainly yes. The water restrictions, if she remembers right, did not go into effect until June. So people were able to water through the month of December 2006 all they wanted.

Ms. Cully said she just wanted to make sure that was the main reason.

Mr. John Tompeck of Power Resources presented RFP 5776 pertaining to the decommissioning of the H.D. King Power Plant.

During the August 7, 2007, Board meeting, we had initial discussion about the memorandum of understanding which identified responsibilities for the UA and the City associated with closure of the King plant. As a result of that discussion, staff was directed to determine costs of demolition of the plant. A demolition specification was prepared and an RFP was sent out in the middle of December. Fifteen bids and two no bids were received on February 13. An evaluation committee consisting of himself and Mark Worley from the power plant, and Donnie Griffin from Black & Veatch was established, and a detailed matrix was used to evaluate the proposal. Criteria used for the evaluation included price, schedule, experience, compliance with insurance requirements, safety and the ability to provide performance and payment bonds. Since this is a complex project with its location adjacent to downtown and close to environmentally sensitive waterways, the committee felt that experience should be an equal factor to price and schedule. As a result, price, schedule and experience were weighed equally, 30% a piece, and the balance of the criteria counted for the remaining 10% of the evaluation. In preparing the demolition specification and RFP, we decided to make the demolition contractor responsible for all equipment removal, sale, salvage and scrap. As a result, nine of the proposals we received came in at zero or less, meaning the value of the equipment, and the salvage and scrap exceeded the cost of demolition, resulting in zero cost to us, or a net payment to us. In the detailed ranking sheets in the Board's package, National Salvage and Service is the number one ranked firm. They have the lowest price, the best schedule and the necessary experience to do the job. We verified their job experience, and a Dunn & Bradstreet background check identified their history as clear and their financial condition as good. Staff is requesting the Board's approval of the ranking and authorization to negotiate a contract with National Salvage and Service. There are two main items that we need to resolve during contract negotiation. First, we will need to establish a value for the performance and payment bond that will cover the cost of demolition. Second, we would like to work out a payment schedule rather than wait for a lump-sum payment at the end of the project. There will be some other miscellaneous costs associated with the decommissioning and demolition of the plant. We will handle those in accordance with normal purchasing procedures and bring them back to the Board as required. One other note, the memorandum of understanding is currently being revised, and we will bring that back to the Board at a future meeting.

Mr. Drummond asked are they also going to be responsible for any environmental issues?

Mr. Tompeck said no, they are not.

Mr. Drummond asked whether we would still have that obligation.

Mr. Tompeck responded that we are still in the process of resolving the environmental situation to find out if the City and the UA can enter the brownfield redevelopment program with the Department of Environmental Protection. We met with the City a couple of weeks ago and went over that, and we are trying to send them a letter to convince them that we should be a part of that program. We have gotten some informal e-mails back and forth from the brownfield coordinator in Tallahassee which indicated that they did not feel that the UA and the City were eligible for the program. We disagree with that.

Mr. Drummond asked if that is ongoing with the City. He saw something where the City was looking for some special designation as a brownfield site.

Mayor Benton said that the Fort Pierce Redevelopment Agency was looking to have its boundaries considered a brownfield site in view of not just the power plant but of old gas stations, etc., so there is not a lengthy process once one is identified. We are waiting to hear back from Tallahassee on that.

Mr. Perona said that this takes the condition to ground level, it is nothing below the surface. At one time we talked about going through to a four foot depth to make sure that all the property below, because who knows what is under there, would be brought up to specifications. He thinks it is in line with the environmental issues, but also with the foundations and things relating to the foundation.

Mr. Tompeck said that is correct. In the RFP we asked them for two prices, one was a base price which brought it down to grade, and the other was a price to bring it down to four feet below grade. We cannot really go below grade until we know what we are going to do from an environmental standpoint. You cannot disturb the soil until you decide exactly what you are going to evaluate and review. Just to give you an idea, for National Salvage and Service, the add-on to bring us down to four feet below grade was \$200,000.

Mr. Perona stated that we are still in a net positive. We have funds available from their work and from what they are going to be able to recycle out of the place. They are actually giving us funds for doing the work. So we actually have funds available to us to be able to do all that environmental work, if it is our responsibility.

Mr. Tompeck said he believes we can. When we go back and renegotiate the contract with them there is one add-on that they are going to hit us with, and that is the performance and payment bond. We had asked them for 300% performance and payment bond based on their contract price. Well, their contract price is less than zero. So we are going to have to negotiate a price on that, and he is guessing that will probably take \$50,000 to \$75,000 off of the total price. But other than that, that is right.

Mr. Summerhays said that he does not think that we mentioned at any point in this exactly what we are getting back. The Board has it in front of them but the folks on the TV do not.

Mr. Tompeck said it is \$1,016,000.

Mr. Summerhays said that although that \$1,016,000 sounds like a lot of money, and is in fact a lot of money, we are out considerably more than that in on-going expenses we have already incurred.

Mr. Drummond said that we still have unanswered environmental issues.

Mr. Summerhays concurred and added that it is great that we are getting this \$1,000,000, but it will still end up a net cost when we are all done, he is sure.

Mr. Tompeck replied in the affirmative. He stated that we have already spent approximately \$5,000,000 that was required to be able to decommission the plant. We added two transformers at Hartman, which was over \$3,000,000, construction included. We added a back-up generator to Lift Station A, which was he believes between \$750,000 and \$900,000. There were other costs that we have already spent money on.

Mr. Perona said he was amazed because when the discussion was going on a year ago about this, perhaps a couple of years previous to this, at that moment in time we knew that there would be a positive amount after the demolition of the King plant. But then we got into a time, he believes, where everybody was getting to the point where it was more of a cost issue than receiving money back. He was shocked to see that from looking at the bid process there is almost a million dollar swing both ways. There are people that would have charged a million dollars or close to it. There is one for

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\$1,300,000 to do the work, and it is interesting to see how it flops back and forth and how the different resources, the different companies, have to be able to offset some of the product that they are going to be getting from the plant.

Mr. Tompeck said that some of the contractors actually had additions due to some asbestos people coming in, because this includes the cost of the asbestos removal. He actually had asked that managers come in who went around and looked at the equipment and developed the value based on what they thought they could sell it for, and some of them already have in their hands bids for some of the equipment. So he believes they are going to want to turn it around pretty quickly.

Mr. Perona said that he has to commend staff for doing such a great job with that because from what he looked at earlier on, he was shocked. He wanted to get as close to zero as we possibly could. He knows it was a difficult process, but he could follow through the logic format of assessing the different contractors. He thinks staff did a great job on that and getting to that point in time, and he feels confident that staff has chosen a first-class person that he thinks can do the job. If we can get the contracts all set up right, he is ready to go.

Mr. Drummond said it sounds great as long as we do get the performance bond.

Mayor Benton said he just wants to add how fate works in our favor. It was a little over five years ago when we were talking to Enron about repowering that facility, and before their demise they came in and took down the oil storage tanks there and cleaned up that to the tune of over \$1,000,000. So, it is amazing how sometimes things work in your favor. It is nice to hear that removal of that plant so far appears to be working financially in our favor. Let us hope it stays that way.

Mr. Tompeck said that we will do our best.

Motion by Mr. Perona, seconded by Mr. Summerhays and unanimously carried to approve ranking of proposers for RFP 5776 for H. D. King Generating Station decommissioning and authorize staff to begin negotiations for a contract with the top ranked firm, National Salvage and Service Corporation, and if an agreement cannot be reached, to negotiate with the next highest ranked firm.

Mr. Thiess briefed the Board on the following items.

First, the July 15 meeting is somewhat in conflict with the FMPA/FMEA Annual Conference. Everyone on the Board has been to that conference. He is sure the Board will agree that it is a very informative conference, a very good one for Board members and staff alike to attend. July 15 would mean getting out of here after 5:00 p.m., and getting there late for the first night's activities. We suggest that since this commission meeting room was open on the 14th, that between City Commission meetings we go ahead and meet a day early, on Monday night instead of Tuesday.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to change the July 15, 2008, FPUA Board meeting date to July 14, 2008.

Mr. Thiess stated he had the pleasure of attending the linemen's rodeo up in Lakeland this weekend on Saturday. We had a journeyman team in there and two apprentices, and they did an outstanding job and represented the Utilities Authority very well. Our first-year apprentices placed up relatively high, he thinks the lowest one was 13 out of 41. They competed against third and fourth year apprentices, so they did an outstanding job. Our journeyman team brought home a first place trophy for the mutual aid event, that is where you have three linemen from three different utilities that have never done a task together before, jump into a task together. They brought home a first place trophy for that and competed very well in the other events. This is a very good event that combines speed

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and technical skill, and they stress safety. It is truly a learning experience too. A very good event, and they did us proud.

Mayor Benton said that the parking garage next door is finally open as of today. It started last March and the City Manager said it would take two years. We did it in a year. There were some issues. The side on Orange Avenue is not open. You can only enter on the Avenue A side, but it is finally open. There is parking downtown.

Mr. Cully stated that she parked in that garage this afternoon. It is beautiful and worth the wait, very convenient and nice to get into.

Mr. Summerhays mentioned that he noticed in his e-mails that there is an alternative energies roundtable coming up on the 28th to which he was going to volunteer.

Mayor Benton asked whether the governor was going to be there.

Mr. Summerhays replied that Congressman Tim Mahoney will be there. It will be held on April 28, from 8:00 a.m. to 12:00 p.m. at IRCC.

Ms. Cully reported that she attended the FMPA meeting last Thursday. That was a full day again, but it is very informative and she enjoys going. She does not have any special information for the Board today, but in the future she probably will.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN