

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, JUNE 3, 2008, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Vice Chairman, Pamela K. Cully; Secretary, Robert W. Summerhays, Jr.; Deputy Secretary, Thomas K. Perona; 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; Director of Finance; FPUA Attorney; City Purchasing Manager

Excused: Chairman, Darrell Drummond

Vice Chairman Cully called the meeting to order.

The Invocation was given by Pastor Robert Coleman of Goodwill Presbyterian Church.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Mr. Richard Stenberg, Water Resources Superintendent, presented the Board with a 2006 National Safety Award from the most preeminent professional drinking water association in the United States, the American Water Works Association. It is a coveted safety award and represents the hard work and determination of all the members of the Utilities Authority that work with and for the drinking water departments. The Board thanked Mr. Stenberg and a photograph was taken by Levette Dixon of Mr. Stenberg presenting the award to the Vice Chairman.

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

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

1. Approval of the Minutes of the Regular Meeting of May 20, 2008.
2. Presentation of Environmental Stewardship Awards – For Information Only.
3. Bid 5805: Award lowest and best bid to Allied Universal Corporation for approximately 190 tons of chlorine for use at FPUA's WTP and WRF for a total not to exceed \$94,639, annually, for the period of 6/3/08 – 6/2/09 with two, one-year renewal options.
4. Bid 5826: Award lowest and best evaluated bid to Valmont Industries, Inc. in the amount of \$171,132.00 for the purchase of four steel transmission poles for King Plant Line 611 relocation.

The following letters of appreciation were noted:

1. A "Thank You" was received from United Way of St. Lucie County expressing appreciation for FPUA's participation in the 2008 Day of Caring.
2. A letter was received from Karen Best, President of the Preserve at the Savannahs, praising service received from Tony Price of the Water Operations Department during a water main break on their property.
3. An E-Mail was received from Scott Van Duzer, owner of Big Apple Pizza, expressing thanks to Mark Bassett of the Natural Gas Operations Department for going the extra mile to repair their portable pizza oven during their attempt to break the Guinness World's Record for the longest line of pizzas.

Mr. Doug Giel, Director of Shared Services, presented a request for approval of a Supplemental Lease for the Federal Courthouse. Mr. Giel explained this lease is an add-on to the current lease, which began in January of 2003 and continues through December of 2012. It is a nine year lease. We currently lease approximately 16,000 square feet. The supplement will add another 1,711 square feet to the second floor. It will bring in additional revenue of \$46,197.00 for the current year. The five year total would be \$255,265.00. There are 24,000 square feet at the courthouse and the U.S. Court will be leasing 17,836 square feet for approximately 74% rental rate. The current rate is \$17.48 per square foot, moving to \$27.00 per square foot for the 1,711 square feet of additional space. We have been negotiating rates with the GSA since February, and he thinks we have gotten a fair market value of the square footage that everybody can live with. There is a 5% escalation clause in the lease for each year. By the end of 2012, the 1,711 square feet will be bringing in around \$56,152 per year.

Additionally, Mr. Giel explained, there is an income statement in the agenda packets showing how much we earned at the courthouse building the first six months of this fiscal year. It amounts to about \$50,553.00, so far. That is about 38% net on the gross amount received. All the expenses are net lease, therefore, FPUA has to pay all the expenses listed in the income statement. The biggest expense is landscaping and janitorial services.

Mayor Benton said he wants to make sure they don't ask to extend the lease. We have meetings coming up in the next month, and our goal is to make sure they break ground this fall on the new courthouse. He knows their schedule brings it into 2011 for completion. If they ask for an extension of the lease, the Mayor asked Mr. Giel to please contact his office. Mr. Giel said they have not mentioned anything about that at this point. Mayor Benton said things are looking pretty good, and we are hoping to have a groundbreaking this fall, but for some reason if they try to undermine anything by extending the lease, please let him know.

Motion by Mr. Perona, seconded by Mr. Summerhays and unanimously carried to approve the Supplemental Lease for additional 1,711 square feet of space on the second floor of the Federal Courthouse to be rented by the U. S. Marshals Office.

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Mrs. Nina Hurtubise, Director of Finance, presented the comparison of Residential Electric Rates for the Month of April, 2008.

Mrs. Hurtubise explained the Florida Municipal Electric Association's comparison shows Fort Pierce Utilities Authority towards the right on the graph in the 1,000 kilowatt hour category. There are twenty-nine municipal electric utilities in the State of Florida that have rates less than ours and three that are higher. The good news, if there is any good news to be seen, is that, although our rates are currently higher than many of the other utilities, we have every reason to believe that all the other utilities, in one form or another, will have to raise their rates to cover their cost of fuel, whether it is natural gas, coal or fuel oil. The price of all of those are increasing at a tremendous rate. Looking at the natural gas futures, they are twice what they were a year ago. It is very unfortunate for all of us. The reason we took such a big jump during the month of April was predominately because of our increase in PCA that went from \$34.00 per thousand kilowatt hours to \$42.00 per thousand kilowatt hours, an \$8.00 increase. Also, shown on the graph is Vero Beach's increase of \$8.57 in their PCA, so their increase exceeded ours. The reason we are where we are is because we are trying to plan ahead and make sure our customers don't have any major shocks during the summer. These other utilities will have a terrible shock this summer when the utility bills are highest by implementing increases at that time.

Mrs. Hurtubise reported Progress Energy will have an 8% increase. She isn't sure when it will be in place, but there are also going to be a number of double digit increases for a number of utilities participating in FMPA's All Requirements Project. We tried to preempt all that and make it a little bit softer if that is possible. Lake Worth is one of those utilities implementing a 12% increase. Florida Public Utilities will be implementing a 6.3% increase, although they are not in the FMEA analysis. Jacksonville, whose rates are way down at the bottom, will be having an increase of more than 15%. The rate increase FPUA saw in March and April was more in the vicinity of 6% to 9%, depending upon whether you consider the fees included in it. There has also been discussion about FPL raising their rates. She can't imagine that there is a utility in the Country that won't be having to raise rates.

There is a similar situation for 2,500 kilowatt hours of usage. There are three utilities higher and twenty-nine lower than FPUA. We are about 15% above the municipal average. Again, we expect that municipal average to increase.

Next, Mrs. Hurtubise displayed a rate comparison prepared by FPUA staff. It shows a range between FPUA, which is the highest at \$210.00 per month, to the lowest of \$195 per month. It is not a substantial difference. Vero Beach's electric rate is now higher than ours if you include the additional fees on top of it.

Mayor Benton asked Mrs. Hurtubise if they could prepare a new chart next month showing the proposed increases for all those utilities, so we can show everyone. All those utilities know what increases they are looking for, especially, through the rest of this year. He has heard that FPL and Progress Energy said they are raising theirs, regardless. If we could get a chart with the proposed rate increases and show where we stand, it would help. The chart does the damage. If we had a chart that shows where we will be when the others implement their rate increases, he thinks we will be back where we were to begin with. He thinks it is very important to show it is just a matter of time before everybody has higher rates. Some will be considerably more, because they waited to implement their increase. Mrs. Hurtubise said

she will do her best to get that information. Mr. Summerhays said the utilities that haven't already increased rates are eating into their reserves and will have to increase more to make up for it. Mr. Thiess said we can probably get some of that information in two weeks, but the investor-owned utilities are going before the Public Service Commission, so that will take a while. The ones that have it in place and approved, we will certainly put in there and bring the others as we get the information. Mr. Summerhays said he believes FPL is looking at three separate increases. Mr. Thiess said yes. They are looking at the Nuclear Development Program, the Clean Energy Program, and a significant Power Cost Adjustment. Mayor Benton said he would think all the FMPA members could get us their information through one letter. Mr. Thiess said until their boards approve them, they're not final. Mayor Benton said if they are even proposed, most of the time, he doesn't think they will be denied, especially in this market. If we had the proposed rates for all of them, it would help us show where we are and where the rest are going. Mr. Thiess said we will prepare a chart and update on a continual basis. Mayor Benton said it is all for public relations.

Mr. Perona said regardless of where we are on this chart, the fact is that the rates are what they are. Other utilities catching up to our rates will not give relief or make the utility rates go down. It just makes us feel a little better. He is very interested to see how this year will play out. As we said earlier six or seven months ago when we were discussing this, we knew we would be drifting to the right side of the chart, but, eventually, we will start moving back to the middle. As Board Members, we are going to be vigilant to make sure we are as close to the middle as we can be and that we are doing our jobs to make sure rates are what they are throughout the State of Florida. He doesn't want to be the lowest, because we would probably be doing something wrong, and he definitely doesn't want to be the highest. We were in the middle for years and years. He knows there have been a lot of changes with rates and utilities with a lot of restructuring going on. There are a lot of knee jerk reactions happening throughout the utility industry to try to do something. He understands Mr. Roger Fontes is scheduled for our next meeting. Mr. Thiess said that is correct. Another thing that has put us up higher is the decommissioning of the King Plant. Those affects are not permanent, necessarily, but over time that hit will subside. Mr. Perona said we anticipated that several months ago and introduced a lot of that into our rate increase then. Mr. Perona said by the end of the year we expect our rates to move to the norm and the impact to our ratepayers isn't going to be any more devastating than the average person in the State of Florida is paying.

Mrs. Hurtubise said she hates to stake her reputation on it, but she has to believe this is going to be the worse you are going to see it. She has every expectation to see a lot of those other utilities increase.

Mr. Beach asked about the status of the King Plant. Mr. Thiess said we have gone commercial at Treasure Coast Energy Center. The King Plant is down for good. We will go into our contract at the end of the month. The only thing up in the air is what we are going to do on the intake structure and the outlet structures on the north side. City and UA staff need to meet and find out what the City wants and what we can do. After this is clear, we need to get with our contractor and see how it will impact the contract and who is going to pay for what. Demolition is scheduled to start the end of June and to be completed by the end of December. We want to make sure City staff gets with John Tompeck and goes over those issues with the discharge and intake structures.

Mr. Beach said he found out about something about a week ago in discussions with Commissioner Craft about a clinic that was set up in Port St. Lucie to save money on insurance rates for their employees. He guesses it has worked out very well in Port St. Lucie, and the City of Fort Pierce is going to be talking with St. Lucie County looking into whether or not that can be done here and what cost savings are involved. He spoke with Mr. Thiess earlier today and hopes the UA is interested as well as the school system, because the more employees that buy into this, the cheaper it is and the higher the cost savings to our taxpayers. Hopefully, this is something we can all buy into. It appears to be working very well in Port St. Lucie, and they could save millions of dollars. Mr. Summerhays said it has not been operating very long. The prudent thing would be to watch it for a little while and see how it continues to do. It is often very hard to run these things efficiently when the man who owns the place isn't there running it. It is possible, and there are lots of places that do that. He would give it a few more months to make sure it continues to work well and learn from their mistakes. Mr. Beach said Mr. Anderson will be setting up the meeting and inviting everyone. Mayor Benton said any way we can save money in health insurance will be good. It is killing all of us. Mrs. Cully asked how long Port St. Lucie has been doing this. Mr. Summerhays said it hasn't been going on for too long. Mayor Benton said he will know more Thursday when he has lunch with the Mayor of Port St. Lucie. He will get whatever information they have. It appears it is worth looking into.

Being no further business, the meeting was adjourned.

ATTEST:

Secretary

Chairman