

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

Others Present: Director of Utilities; Director of Finance; Director of Electric/Gas Systems; Director of Water/Wastewater Systems; Director of Shared Services; City Purchasing Manager; FPUA Attorney

Chairman Drummond called the meeting to order.

The Invocation was given by Mr. Craig Brewer.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Motion by Mayor Benton, seconded by Mr. Summerhays and unanimously carried to approve the items listed on the Consent Agenda:

1. Excuse Vice Chairman, Pam Cully, from the Joint Workshop of June 19, 2008.
2. Excuse Mayor Benton from the Joint Workshop of June 19, 2008.

Motion by Mr. Summerhays, seconded by Mayor Benton and unanimously carried to approve the Minutes of the Regular Meeting of June 17, 2008.

Mrs. Nina Hurtubise presented the comparison of residential rates for the month of May, 2008.

The residential electric rate as compiled by the Florida Municipal Electric Association shows that Fort Pierce is a little better off than in the month of April. We are still a lot further to the high end than we care to be. We do have 5 cities with rates higher than ours as of May and 27 that are lower in the 1,000 kilowatt hour bracket. For 2,500 kilowatt hours, Fort Pierce is a notch higher with 4 cities higher than we are. There are 28 cities that are lower than us.

Also, included in the rate comparisons is a comparison with local cities: Fort Pierce, Port St. Lucie and Vero Beach. The only thing that has changed from the month of April is the storm charge from FPL increased a small amount during the month of May. The difference between Fort Pierce and Port St. Lucie is about \$14.75, and the difference between Fort Pierce and Vero Beach is about \$13.00. Vero Beach has an extraordinarily low rate for wastewater services.

Last month, Mayor Benton had requested that Mrs. Hurtubise take a stab at projecting what the rates are going to look like in the near future that are associated with electric only. She showed a graph depicting the results she has come up with. It is information she has derived from news releases on the internet, as well as, some of the historical data existing in our rate comparisons from FMEA. Regrettably, FPUA is at the top of the chart. Please take note that

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all of the cities from Lakeland through Fort Pierce are all within about \$15.00 of one another. Many of them had some very significant increases. Jacksonville Electric is fairly low on the chart, but they are anticipating a \$15.00 per thousand kilowatt hour increase. That amounts to about a 16% increase. As a comparison, the \$12.00 per thousand kilowatt hours by which FPUA increased their PCA, amounted to an 8.7% increase. Lake Worth had a \$15.00 per thousand kilowatt hour increase, which amounts to a 12.5% increase. Ocala had an \$11.93 per thousand kilowatt hour increase, amounting to a 9.4% increase. We are seeing those increases across the board. It has been fairly well publicized that FPL is going before the Public Service Commission today presenting a 16% increase in their rates as well. If you were to compare to the average of the investor owned as of August, it is expected to be about \$126.40 per thousand kilowatt hours, so all the cities will be above the investor-owned utilities.

Mrs. Hurtubise said she has another update. It is not good news, but she wants to continue to pass the information along. She showed the Board an updated graph of natural gas prices. They continue to rise. Natural Gas Futures prices continue to rise.

Mr. Drummond said Mrs. Hurtubise suggested in terms of both Jacksonville and Lake Worth, that they are expecting increases. Are those increases reflected in the bar chart she was showing the Board? Mrs. Hurtubise said yes. Her numbers shown are after any projected increases. Lake Worth, she believes, is the only one expected to take place in August. The others have already taken place in May or June. Some are in July, and Lake Worth's increase is in August. From discussing this with some of her peers in the other cities, a lot of the cities do not change their power cost adjustment on a monthly basis. Many only do it every three months, others only do it every six months. Not too many years ago, we changed it every six months. She still has to believe it is a matter of time before some of these other cities that just haven't made those increases, once they do get around to making those increases, they're going to be worse than the ones we are seeing here, because we are putting them in place sooner, rather than later. Mr. Summerhays said they should be pretty deeply in the hole by then. Mrs. Hurtubise said they may be very deep in the hole by then.

Mr. Drummond asked if Mrs. Hurtubise got any feedback from any of them as to whether or not they are, as a result of these volatile prices, taking on a large deficit. Mrs. Hurtubise said there is one city she spoke with that thought they could be either in the hole about \$300,000 by the end of September, or they could be in the hole about \$3 million by the end of September. It is very volatile.

Mayor Benton thanked Mrs. Hurtubise for adding this comparison to the package, because he thinks it shows that everybody is in the same situation we're in, and we're all close. Most everyone is within \$10.00 of us. Soon, they'll probably be right up there with us or their fund balance will be sitting at rock bottom.

Mr. Summerhays said FPL's 16% increase might put Port St. Lucie above us. Mrs. Hurtubise said no, not quite. It is very, very close. Mr. Thiess said to keep in mind we have a PCA increase going into effect by July 1st.

Mr. Drummond said at the conclusion of our joint workshop he had asked whether or not we would have a public hearing when we approved the budget. He believes Mr. Thiess has

researched and has clarification with regard to that. Mr. Thiess said we checked the records, and we have not historically held a public hearing on the budgets. We are not required to by Charter or any other rules and regulations, and that is the way it has been done in the past. We do have public comment at the end of the meeting but not prior to the capital budget item.

Mrs. Hurtubise said she is here to present our Fiscal 2009 proposed capital budget and request Board approval.

The proposed 2009 capital budget contains approximately \$15,000,000 for our electric system, \$9,000,000 in the water system, \$5,000,000 in the wastewater systems, and \$2,000,000 for the other areas of the utility business. The total budget is a decrease from last year. In Fiscal year 2008, we had an extraordinarily large capital budget of \$48,000,000. The capital budget for 2009 is expected to be decreasing about \$17,000,000 to \$32,525,196. Why is it decreasing? During the budget review process, we identified about \$4.9 million in projects to be either reduced permanently or deferred into future years. There is a lot of rehab and restoration work that needs to be done. We can't do them all in one year. So, we had to defer some of those items. Some of the projects from 2008 that are nearing completion, but show up in the 2009 budget at a significantly lower level, include the Hartman Substation Upgrade, required as a result of the decommissioning of the H. D. King power plant. Another is South A-1-A, a huge project Florida Department of Transportation and the City of Fort Pierce have been working on. This project affects our electric, water and wastewater systems. The entire project for South A-1-A will be about \$7 million overall. The Hartman Substation upgrade will be about \$10 million overall. That is just electric. Harmony Heights MSBU is a water project that is funded by St. Lucie County funds. The taxpayers have funded it through their tax bills. The total Harmony Heights budget for the entire project is about \$3.9 million. The mainland water reclamation facility deep injection well is nearing completion. The entire project was \$12 million. That is a wastewater project. Last but not least are force mains associated with relocating the island water reclamation facility flows to the mainland. This project amounts to about \$3 million in force mains. They either have been or are expected to be constructed.

Mrs. Hurtubise showed the Board a depiction of the history over the last four years of the capital budget original and actual figures.

The major capital projects in the 2009 capital budget include the Sunland Gardens MSBU. That is a water project, which will serve new customers. The other three main projects are all renewal and replacement projects: the Hartman Substation upgrade as a result of decommissioning the H. D. King Power Plant, the work being done on South A-1-A and there is an electric R&R project planned on 13th Street.

Mr. Beach asked if the 13th Street project is in conjunction with the City's proposed reconstruction of 13th Street. Mr. Thiess said yes. Mr. Beach said the City does not anticipate funding that project in the next fiscal year. You may have gotten that information, because that was our original schedule. The changes in the financing mechanisms the City has available through the Redevelopment Agency have put that project off. It is certainly not going to occur in the next fiscal year. He doesn't know what FPUA wants to do with the resources you've allocated for that project, but, unless you intend to go in ahead of the City, which he doesn't think you can do because of the destruction that takes place, that project will not occur next year. Mr. Thiess said we will adjust the budget to take those funds out. He

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thinks all the projects we looked at deferring to trim the budget and make sure it matched up with our rate study, can still be deferred. We will take a good look at that and more than likely, those funds will just be taken from the budget. Mrs. Hurtubise said if she is not mistaken, the 13th Street project was designated as being funded by the FPRA, so it would be appropriate to pull it. It sounds like those funds are not there, so it's not going to happen. If we don't have to, we won't spend the money.

Mrs. Hurtubise said one question is why do we spend so much money on these capital expenditures each year? Well, we are pretty much required to in large part. About one-third of our capital budget is required by regulatory agencies: Florida Department of Environmental Protection, Department of Homeland Security, the Environmental Protection Agency, the North American Electric Reliability Corporation, the National Electric Safety Code, Public Service Commission, and the South Florida Water Management District.

St. Lucie County initiated projects costing us \$5,000,000, approximately. The City of Fort Pierce numbers will fall when the 13th Street Project is eliminated. The Florida Department of Transportation has initiated the A-1-A project where they are going to do reconstruction and we have to do our work at the same time. The \$22 million represents about 72% of the total budget. We are not spending money because we want to. We are spending money because we have to.

The biggest chunk of funding of the capital budget comes from rates, about \$17 million. This number is in alignment with our rate study that was performed in February. We are in the process of updating our rate study right now. A large part of funding required due to Fort Pierce Redevelopment Agency Projects was for the 13th Street Project. Capital Improvement Charges can only be used for new construction. St. Lucie County agencies and MSBU's require us to spend \$3.2 million. Contribution in Aid includes contributions by developers and customers. That is another number that can flex, because if developers choose not to develop, then we don't do the project. We expect to receive Federal Emergency Management Agency funding and those projects are underway. The Grant money is associated with the Manatee Center. If we don't get the grants, we won't spend the money.

Mayor Benton said he is looking at page 21 of the capital budget where funds are listed for the warm water project. Is that going to be funded through grants? Mrs. Hurtubise said that is what we are hoping, but it is not firmed up. We don't have any grants officially lined up at this time. Mayor Benton said, so that won't be funded out of our budget. Mrs. Hurtubise said no. Not one nickel of the Manatee Center Budget is funded through rates. Every single project under Manatee Center is expected to be funded through grants. If we don't get the grants, we don't spend the money. Mayor Benton said he wasn't sure. He knows for years they're been talking about when the power plant is gone, how they are going to keep the manatees around and keep the water warm. He knows there was an issue with solar panels. Someone wanted to come to the plate. When he saw that number, he was choking on it. He didn't want it to come out of our budget, but if we can find grants..... Mr. Thiess said we are working with Globaltech, one of the engineering firms that does work with us, and they did the design pro bono at no charge, working with a high level person at the University of Florida, who does a lot marine mammal exhibits at Sea World and places like that. They have actually done a conceptual design, talked to DEP, and DEP gave it the thumbs up at the staff level. The next step would be to look at grants. If we get grants, we go. If we don't, we don't. We are looking at both solar and gas heating. We can go with either or both ways. Mayor Benton said he

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will touch base with these folks he was discussing it with years ago. They were in the solar business, and he thinks they were going to do it pro bono. He will see if they are still around. Mr. Thiess said with solar we couldn't get as much heat in there, but with solar, you don't have fuel costs. Even if we can't heat the water as much, he still thinks it would be an attraction to the manatees, and we would have no fuel costs.

Mayor Benton said he finds it hard to believe DEP would allow it to continue, since he knows they've had a problem with power plants and the insecurity it gives manatees when they keep coming back to an area and all of a sudden it is gone. Mr. Thiess said Globaltech and their people attended the meeting with DEP, and they said they got a warm reception from DEP. They anticipate the permitting end of it will move forward. Then, we have to look at funding.

Mr. Beach said this proposal should be coordinated with the City. As you know, we're going through a development proposal for that site at this point in time, and those would need to dovetail. You would need to let whoever is working on the project know that. Mr. Thiess said we will certainly do that. It would involve the Manatee Center building, which the City owns, and he thinks we were going to put the rest of it on Lift Station A property. We will coordinate it with the City.

Mr. Beach asked where you are showing demolition of the King Plant, both the expenditure for the removal and the revenue for what it is being sold for. Mrs. Hurtubise said that is shown in the O&M Budget. It is in the revenues as extraordinary income, and it is in the expenses as extraordinary expense. Mr. Beach said it is not in your capital? Mrs. Hurtubise said no, because we will have nothing when we are done. Mr. Drummond said it will show up when we do the O&M Budget. Mr. Beach said he understands. Mr. Drummond said you will expect to see the expenditures far exceed whatever the extraordinary revenues are. Mr. Beach said he has observed FPUA accounting in the past.

Mrs. Hurtubise requested approval of the Capital Budget in the amount of \$31,525,196.00 for FY 2009. Mr. Drummond said this is a continuation from our workshop where staff did present both the capital and operating budget. Since that workshop, has staff reviewed or changed anything in the capital budget? Mrs. Hurtubise said yes. There were some reductions made. There was a reduction of about \$200,000 in wastewater, and about \$200,000 was removed from the ITS budget. There were no additions put in at the last minute.

Mr. Summerhays asked if we will handle removing funds for 13th Street through an amendment at a later date. Mrs. Hurtubise said the Board can approve the budget with that contingency in mind, so that when we prepare the annual budget, which includes both the O&M and the Capital, we will pull that out.

Mr. Drummond suggested the motion be for approval of the Capital Budget with removal of the line item for the 13th Street reconstruction. Motion was made by Mayor Benton and seconded by Mr. Perona. The roll was called and the motion unanimously carried.

Mr. Thiess presented a request for re-appointment of Mr. Tom Richards as the Board's representative on the Retirement Board. Mr. Richards has served capably on that board for several terms and is willing to go another term. Due to his experience on the board and

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familiarity with the financial end of the retirement system, staff recommends the Board reappoint him for another three-year term. After the Board deals with this item, Mr. Richards has some up-date information for the Board regarding the Retirement System as requested by the FPUA Chairman.

Motion by Mr. Perona, seconded by Mr. Summerhays and unanimously carried to reappoint Mr. Tom Richards as FPUA Board's representative to the Retirement System for the period of October 1, 2008 through September 30, 2011.

Mr. Richards thanked the Board for their confidence in him. He said he has enjoyed serving on this very interesting board for the past nine years and is looking forward to another three.

Mr. Richards stated, as the Board will recall, the Retirement Board is created by the Charter of the City of Fort Pierce. It is a City system. Members of the system now are the Utilities Authority, General City Employees and Police. There are three separate funds and have different benefits and different funding requirements. Up until last year, the Fire District was the fourth member of the system, and they have withdrawn. They removed their assets in April of 2007. At the time they removed their assets, they were about 40% of the assets of the system. They did that with the objective not to cost the system anything. They paid all their withdrawal costs and were faithful about that, as far as he knows. There have been no noticeable detriments to the remaining members of the system as a result of that withdrawal.

The members of the Retirement Board consist of himself, as the Board's appointed representative; Nina Hurtubise, the UA employees' elected member; the City Finance Director, who is automatically a member and Secretary/Treasurer of the Board; Paul Williams, Chairman, Urban Forrester for the City, and is the City employee's elected representative; the Police elected representative, Sgt. Chris Fender; and two City Commissioners, Mrs. Coke and Mr. Sessions. That makes up a seven member board and the UA has two representatives.

The Actuarial Report he is using as a reference is dated September 30, 2007. The only things that happened during FY 07 that were plan amendments or changes to the plan were the institution of the UA's DROP Program and the Fire Board withdrawing from the system. At the end of the Fiscal Year, there were no employees in the DROP Program, and now we have six. That made a slight assumption change in the service based retirement rates, which they had assumed to be 20%. This was increased to 40%. That was the Actuary's decision. That is an assumption for the short term that those who are eligible to retire, might enter the DROP Program more rapidly than they would have otherwise.

You will be pleased to know that during FY 07, the retirement fund is essentially funded at 99% of the actuarial requirement before the changes in the plan, and it dropped to 98% as a result of that. The year before, it was 92%, so we have made great gains. The FY 2007 year was a great year for market returns on our assets. Our actual investment return was 20.11%. Our actuarial assumption is 8%. Recognize those markets are up and down every year. Also, recognize that those kinds of results are taken by the Actuary and spread over five years, so you don't take the whole 20%. On an actuarial basis you would take 1/5th of that extraordinary gain and put it into this year and the next four years. That was about a \$9 million extra income for the system that will be spread over five years.

Another actuarial variation that was significant was that pay raises averaged 3.6%. The assumption was 5.9%. That is a favorable experience for the system. The system didn't experience as many expenses as they thought it might. There were 52 terminations amongst all the employees, and they had expected 43. That is also a favorable experience. The reason for that is the employers make contributions to the system on behalf of those employees. If they leave early before they retire, the money is retained in the system.

An important one is the contribution required for the employer. The Utilities Authority, is dropping from 11% to 10% starting October 1st. You will see that factored into our O&M Budget. That is part of our getting very near the 100% range. The Actuary tweaks and adjusts the percentage contributions. The employees are also making a contribution to this plan in the amount of 6.16% as required by ordinance. That is fixed every year for the employees. The employer picks up the difference. The Actuary figures out how much needs to be put into the system to keep it whole, the employees put in 6.16% and the employers put in the rest. That is why the employer amount changes from year to year.

There is a cost of living formula in the system since about 1999. He thinks we had a chance to award a COLA once or twice or, maybe, three times since then. It is kind of a happenstance kind of COLA. If the actuarial results are higher than expected, a COLA could be paid out of that amount. The clincher in there is if there are actuarial losses in any year, those losses and dollars have to be made up before any COLA can be paid. Because of the poor results of the market conditions in the late 1990's and early 2000's, we had actuarial losses that are being made up. However, this pretty substantial loss last year took a big bite out of that. A year ago he might have said we will probably never have a COLA, but we might actually have one some day. We have about \$8 million left to make up on that deficit. The system made \$9 million extra last year, but he doesn't think they will do the same this year.

At the end of the year, the market value of the assets of the system is about \$150 million. Those dollars are managed for the pension fund by the board of trustees and using money managers for various aspects of the system. Our targets are 50% of those investments in domestic equities, 35% in fixed or bonds, and 15% in non-US equities. At the end of March we had 47% in domestics, so we are a little bit off, 37% in bonds, 16% in non-US equities. The market value is down to \$134 million in that 6 month period. There was a loss of about \$14 million. Nothing to get too excited about. In the long run it is always up.

We have about 140 former UA employees who are retired and in the system or their beneficiaries who are collecting retirement. We have 305 active employees that are all members of the system, except the six who have entered the DROP Program.

Mr. Drummond said he thinks what Mr. Richards is saying is that the membership of the board, itself, is set out by the Charter, so he might be well served to ask our Attorney to get him a copy of that provision of the Charter, so he can review it. His major concern, especially now that the Fire Board is removed from the Retirement Board, is whether or not our membership has an equitable representation on the Retirement Board that is making decisions with regard to our contributions, because, ultimately, this Board's budget is impacted, as Mr. Richards said, by some of the decisions that are made. Mr. Richards said he will make certain Mr. Drummond receives a copy of that.

Mr. Bill Baldwin presented a request for approval of an additional \$80,030.09 to the existing unit price contract with Mastec of North America, Inc.

Mr. Baldwin explained this is for installation of an underground electric system for Madison Cay Apartments, which is a small multi-family development at 29th Street and Avenue I. These funds are available in the current year's budget, and we expect to be able to complete the project for this amount.

Motion by Mrs. Cully, seconded by Mr. Summerhays and unanimously carried to approve an additional \$80,030.09 to the existing Unit Price Contract with Mastec of North America, Inc. to rework existing facilities for new underground service at Madison Cay Apartments.

Mr. Thiess said the Board will recall we were presented a memorandum from Commissioner Coke at the Joint Workshop of June 19th expressing some interest between the City and UA regarding consolidation of departments. He intends to write a letter to Mr. Beach tomorrow, and we are certainly willing to sit down and discuss possibilities with City staff.

Mr. Tim Perkins, Director of Water/Wastewater Systems, introduced Mrs. Valerie Schulte, FPUA's new Supervising Engineering in Water/Wastewater/Gas Engineering. He advised the Board that yesterday Mrs. Schulte began work here after a very protracted recruitment effort. Mrs. Schulte has about 22 years of engineering experience in Michigan and Nevada. She has an extensive background in roadway projects, and we are excited to have her.

Mr. Thiess said we have been trying to fill that position for six or seven years. Mr. Thiess stated the position hasn't been filled since he was in it.

The Board welcomed her to the UA.

Mr. Koblegard said he distributed a package before the meeting. The first document is a letter from Rob Schwerer, City Attorney, in response to the two opinion letters that Mr. Koblegard wrote and Mr. Robert Freeman wrote regarding the 6% transfer question with the City. The second document is Robert Freeman's response to Mr. Schwerer's letter. Mr. Koblegard has not written a response of his own this time, because he agrees with what Robert Freeman says.

It appears that Mr. Schwerer's position is if the 40% of the net revenue is greater than the 6%, we should send the 40% instead of the 6%. He thinks Mr. Schwerer is wrong in that opinion, because the Charter was amended to remove the 40% of net to 6% of gross, and that is what we should send. In the years when the bond covenants are met and we can still send the 6% without violating the provision of the bond covenant that 60% is left over after certain required expenditures go to capital improvements and 40% goes to the City, we will do that. There is nothing in the Charter that says we should send the City the greater of 6% or 40%. He thinks Mr. Schwerer is mistaken in that opinion.

Mr. Schwerer is saying we should forward on to the City an additional \$34,000, because the 40% exceeded the 6% of gross by that amount. If you look at it, the UA couldn't ever send

the 6% unless the 40% exceeded it. You have to reduce the transfer each year when you don't meet the bond covenant requirement. But, just because you do meet the bond covenant requirement, it doesn't mean you owe the 40%. When that was taken out of the Charter, it was taken out and no longer applies as far as the amount we would send. It is subject to the covenant requirement.

He thinks the Board may consider adopting Mr. Freeman's letter as the response to the City's response to our initial position and forward it on to the City and wait and see where we go from there. Mr. Drummond said he hasn't had a chance to really review this, but when it left this Board the last time, we were essentially taking the position of our counsel with regard to what we felt was owed for that previous year where we didn't make the 6% transfer. We were responding to the City Commission and their request as to what we were going to do. We gave our formal response at that time. Mr. Koblegard said yes, we did.

Mr. Drummond asked if this reflects the City's position after that response or is this just the City Attorney dealing with their counsel? Mr. Koblegard said it is just a letter from Mr. Schwerer to Mr. Thiess. It doesn't reference the City Commission's position being included in there. He assumes that it is, but he doesn't know officially if that is correct. Mr. Beach said this document was prepared by the City Attorney's Office as part of this on-going discussion about the transfer. If he understands it, and he doesn't want to speak for the City Attorney's Office, but if he understands Mr. Schwerer's position, it is based on the position that the Authority has taken in regard to the 40% being the controlling factor because of your bond covenants. Mr. Schwerer's interpretation of that appears to be that if that is your interpretation, then that is what you should apply. Mr. Beach doesn't think that Mr. Schwerer is proposing that. He is suggesting that the Utilities Authority doesn't get it both ways. You can't say it is either 6% or the bond covenants controlling it. But, Mr. Beach would encourage you just to respond to whatever you think the outcome is, and then we will see where it goes next.

Mr. Drummond said his thinking is we responded to the City Commission, and he thinks as part of our response, we said we would not be opposed to actually meeting with the Commission if they still felt there was need for further discussion. Mr. Koblegard said that is correct. Mr. Drummond said he doesn't know that it requires that the Board take an additional action until such time as the Commission has at least officially said something to us with regard to the position we took. Mr. Beach said, again, this communication from the City Attorney's Office was not a City Commission action.

Mr. Thiess said, also, the first memorandum we received from the City Attorney's Office along with our response to this Board were related to the 2006 transfer. That was the one that was short approximately \$500,000. This letter from Rob Schwerer before the Board today is related to the 2007 transfer. The City Attorney's position is if we are going to go by the 40% on the 2006 transfer, then we need to go by the 40% on the 2007 transfer. Our position is, basically, the Charter is the governing document also subject to restrictions of the bond covenants. Mr. Summerhays said the bond covenants say it cannot exceed, it does not say anything about it being higher. Mr. Schwerer is grasping for straws, he thinks. Mr. Thiess said our position is that we met the requirements of the 2006 and 2007 transfers.

Mr. Drummond said he guesses he will go back to Mr. Koblegard and ask what his recommendation is in terms of formal action that should be taken at this time by the Board.

Mr. Koblegard said he doesn't think any formal action has to be taken. He thought if the Board wanted to, you could move to send the letter from Robert Freeman to Mr. Thiess on to the City as our response to the position Mr. Schwerer has taken on the 2007 transfer. It is not necessary. He thinks we should forward the letter on to the City just as information if nothing else. Mr. Drummond said, okay, he would be in favor of that.

Mr. Beach said he thinks what we need to recognize on both sides is that these are positions taken by Attorneys. We are not suggesting that one or the other is right. These are positions we've taken and from the City's perspective, we continue to maintain that the UA owes the City a half a million dollars for whatever that year was. Regardless of whose opinion says you don't, we have other opinions that say you do. We will continue those discussions, and, hopefully, we will find a solution. Mr. Drummond said he is in agreement, and that is why he was hoping when we did formally send it to the Commission, that would spur an opportunity for us to have dialog directly or to come to some agreement in terms of what the outcome would be, so that we are not each year perpetuating this based on the market where we are in terms of any transfer. Mr. Beach thinks we can assume that is going to be in our future. We will have those discussions again. And, further, this issues goes away when? Mr. Koblegard said it goes away in October 2010. At that time it is a dead issue. Mr. Drummond said that is so unless interest is accruing for each year we disagree. Mr. Beach said we believe it is. Mayor Benton said our Attorney is right on that one.

Mr. Drummond said he is understanding that Mr. Koblegard is recommending we forward this opinion on to the City Commission. Mr. Koblegard said yes. Mr. Drummond asked if anyone wanted to make that motion.

Motion by Mr. Perona that the UA forward the opinion from Robert Freeman to the City Commission as FPUA's position with regard to the 2007 transfer to the City being 40% of gross, rather than 6% of net revenue.

Mayor Benton said he is divided on this issue. He is hearing from two Attorneys. It is hard for him to vote in favor of one or the other, because he is getting bombarded from both sides. He is wondering who the final judge is going to be on this. Mr. Drummond said he would like to at least get a second if there is going to be one. Mrs. Cully said she hasn't read it. Mr. Summerhays said he doesn't think it requires a response. We sent it over and asked for a response from the Commission, not another letter from their Attorney.

Mr. Perona said he thinks in just the discussions, this is the response that has been enlisted by the Utilities Authority, and he thinks just in the theme of keeping communication going back and forth, it is another step forward to where everybody is going to be when we do sit down and talk about it. He thinks it should be sent on to Mr. Schwerer, so that he has a full file of exactly where we're at in this issue.

Mr. Perona said he will make the motion again.

Mr. Drummond said he could have passed the gavel, but just to respond to the Mayor, he would think, ultimately, the final arbiter with regard to this will not be the Attorneys, but the two Boards, and he would hope at some point we could get together and agree. At the end of the day it is the ratepayers' dollars and the taxpayers' dollars. He would hope we would agree at some point a resolution to it that everyone can be agreeable with and move forward.

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He doesn't think it should always be a world where we are going to suggest that whoever has the strongest Attorneys' opinion wins. He will let it die at this point.

The motion died for lack of a second.

Mr. Perona said our convention in New Orleans was very interesting. Everybody was talking about wind power. It was really interesting to see that in the United States they categorize the wind energy throughout the United States, and Florida was the most desolate place for wind energy, except for off shore. They haven't figured out how that could be done with all the transmission necessary. It was a big buzz, and it was quite interesting how all the other states are dealing with renewable power and what they are doing with their power situations right now. Everybody throughout the nation is going through the same crisis we are. Gas prices are going up. Those that have coal are feeling pretty good, but you have the carbon issue that is coming in front of Congress right now and that may be bigger bucks than the gas issues are. All the soothsayers are kind of keeping quiet. Everybody is going to have to do something with renewables. Florida has sunshine, but we also have clouds. There are a lot of people working on how we are going to add some of these renewables into our power supply.

Mr. Summerhays said he stopped at the booth of a couple of solar generator manufacturers, and their eyes really lit up when he said he was from Florida. They apparently consider us a prime market.

Mayor Benton said he didn't make that conference, because he was at the United States Conference of Mayors in Miami, and that was the number one issue there. The discussion on wind power became very interesting, because what the Mayors are pushing for, and they are pushing the federal government to get involved, is where the wind is available is in the Midwest from Texas to Canada, but there is no grid. They are looking for the federal government to come in and somehow help fund, over a period of time, a grid system there. When it came to solar, President Clinton was speaking, and said in the country of Germany they are getting 40% of their power through solar. That is a country that doesn't have sunshine like Florida, and any new building built in Germany is required to have solar panels and go on solar power. Mayor Benton has the City's grant writer looking into all this information. There are funds in the Clinton Foundation to help with solar power. It has been done in Miami. There were a lot of things said down there. He wants to see if it is backed up with facts. So far, from what he has looked at, it isn't all it was put out to be. He will be coming back with something.

Mrs. Cully said another buzz word at the conference was "conservation." She was curious if we have anything coming up soon on our conservation program. Mr. Thiess said we are going to bring an update to the Board if not at the next meeting, the one after, regarding where we are on the conservation program with the FPRA. We are making some significant progress. We have proposals out for contractors. We're working with FMPA on a plan that will go to the FMPA Executive Committee in July that will probably net FPUA \$75,000 that we can use in addition to the \$350,000 that the FPRA is funding for areas outside the FPRA area. With that, FMPA is putting together a package for rebates on Energy Star appliances, so we can just adopt their forms and implement that very easily. That is all coming together very quickly. We hope to have something in place this fall and moving fast.

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Mrs. Cully said the other thing that came to mind other than the FPRA area and people that will be helped that way, do we have anything we can hand out, pass out, put on our website for the ordinary citizen who is struggling and trying to conserve? Mr. Thiess said yes. We've had that for a couple of years. We have information in the lobby – conservation hand outs for water and electric. We also have a lot of it on our website.

There being no further business, the meeting was adjourned.

ATTEST:

Secretary

Chairman