

MINUTES OF A REGULAR RESCHEDULED MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, MONDAY, JULY 14, 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 Electric/Gas Systems; Director of Shared Services; Director of Water/Wastewater Systems; Communications Manager; Director of Finance; Acting Risk Manager; Purchasing Manager.

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

1. Bid 5825: Award lowest and best bid to Guardian Equipment, Inc. for purchase of two sodium hypochlorite skids in the total amount of \$31,990.00
2. Bid 5575: Approve additional \$100,000 for cable replacement at Ocean Village, Tall Pines and High Point and for overhead to underground conversions under our unit price contract with Mastec of North America, Inc.
3. RFP 5821: Approve contract with Heveron Group, Inc. in the amount of \$183,324 for janitorial services.

The following letter of appreciation was noted:

A letter was received from Mazella Smith, Vice President of the Eta Eta Omega Chapter of Alpha Kappa Alpha Sorority, thanking the Director of Utilities and FPUA employees for their donation of \$300 and 894 pounds of food items for needy families on the Treasure Coast.

Mr. John Tompeck presented a request for approval of an addendum to the contract with National Salvage & Service Corporation for the King Plant demolition.

Mr. Tompeck stated that during the May 6, 2008 Board Meeting, the contract with National Salvage & Service for the demolition of the King Plant was approved. An outstanding issue from the original bid was an option to excavate the site to four feet below grade. At the time the Board approved the original contract, staff felt it was premature to include that option until a soil management plan was developed and discussed with the Department of Environmental Protection. The soil management plan has been completed and was discussed with DEP on June 12th. Based on our meeting with DEP, we have a procedure in place, and we feel comfortable now that we can proceed to excavate four feet below grade as the demolition gets to that point. The changes to the contract are minimal and include the addition of

Section 6.17 of the specifications, a revised contract amount and a revised payment schedule. These items were modified in sections 2, 5, and appendix A of the contract.

One other note associated with the close out of the King Plant site is that during our meeting with FDEP, we discussed the program for the Phase II environmental evaluation of the property. FDEP was in agreement with our plan, and he will probably talk about the plan and associated costs as an agenda item at the next meeting.

Mr. Drummond said you indicated this takes us to four feet below grade and encompasses DEP's concerns with regards to the soil. We still have issues that will bring in the Brownfield element or is that out? Mr. Tompeck said we are working on a couple of things in parallel. We've got some of our legal staff working in Tallahassee directly with DEP Brownfield liaison people. We are waiting on a decision from them. It is still a Phase II study whether it is attached to a Brownfield site rehabilitation agreement or worked strictly as a Phase II study. The work is the same. He talked to one of our lawyers and as long as we have a decision on that by the end of the year, we'll still be eligible for the program in 2008. We can proceed with developing the program and getting it started. It is key that we work that in parallel with the demolition, because we want to get the soil to four feet below grade, but there are some areas we have to take a look at before we start moving soil all over the place. We know what those areas are. He has a plan in-house and is trying to evaluate the costs. The Board will hear about that on August 5th.

Mr. Drummond believes he saw where the City had moved forward with a designation, and he thought the King Plant was one of the sites for Brownfield status. Mayor Benton said we were going to, but it was pulled from our agenda. Mr. Beach said we do have a resolution being presented to the Commission designating that site as a Brownfield site. We have several of them working throughout the community right now, and they have reached a legal hurdle that we have to overcome. We think we will have it resolved within the next thirty to sixty days. It is our intent to participate with the UA on getting this site designated as a Brownfield site.

Mr. Drummond said the other question is, he believes when we were first looking to award this bid, there were some questions with regard to other structures, like an outlet or intake. Is that something that is coming back, or is the City in agreement with what is coming out and what is not? Mr. Tompeck said the intake structure is a separate issue. He hasn't gotten an estimate from National Salvage for taking out the concrete. They were originally going to take out all the equipment and the screens, pumps, motors and electrical boxes – everything but the concrete. In discussions with the City Manager he expressed that he wanted the concrete out, too. Mr. Tompeck is waiting for an estimate on that. Depending upon the size of the estimate, he will be back to the Board asking for approval.

Mr. Drummond asked Mr. Beach if all the issues the City was concerned about have been addressed with staff. Mr. Beach said if they haven't been, they are in the process of being addressed as part of the issuance of a demolition permit. Mr. Tompeck said there was one other issue he had discussed with Mr. Beach. It had to do with a special survey of the grounds. We are going to do that. The survey will show any areas where we know there is equipment, piping, foundations, etc. that are below four feet. The survey will show the main plant building where there are some foundations and footers for the piles. We are also going

to put the locations of the environmental areas on the survey. That way we'll have an as-built record of the site when we're finished with it.

Mr. Perona said he thinks the last time we spoke about this we were in the process of an asbestos removal. Is that about to be completed? We're not showing anybody anything. What's happening? Mr. Tompeck said when we talked before he told the Board the first six weeks would be getting rid of asbestos. If you have been around to the front of the building, you will see all the panels are off. Those were all asbestos panels. We have taken care of all the non-friable asbestos, which is the transite panels in front of the building, all the asbestos flooring in the front offices, and we're down to the dirty part, the friable asbestos inside the turbine casing and boilers. We've sent out 50,000 pounds of asbestos containing materials so far over the last week. We have essentially finished the area around the No. 6 turbine generator. They will be working on the No. 6 boiler next and then the No. 4 boiler, and it should be finished. They have made a lot of progress to date, but the work is going to get a little slower, because those two areas are the largest areas. The containments are all there. We have our consultant in there watching them every day, and we have all the records for the manifest prepared. They've knocked down the weld shop. They are taking apart the waste oil building, so they have made some progress.

Mrs. Cully said there is so much that has to be done. Are we still going to meet the deadline of getting this done by the end of December? Mr. Tompeck said yes. We were looking at about a 24 week schedule, and there is no reason to believe that has changed. There is really not too much you can do when you're removing the asbestos.

Motion by Mr. Perona, seconded by Mrs. Cully and unanimously carried to approve a contract addendum to National Salvage & Service Corporation contract for H. D. King Generating Station decommissioning to include excavation and grading, bringing the amount from - \$974,000.00 to -\$774,000.00.

Mr. Doug Giel, Director of Shared Services, and Mr. Bill Abramowicz, Customer Service Manager, will discuss monthly inactive account charges.

Mr. Giel said the Board had requested staff several weeks back to come with some information concerning the inactive account charges (IAC). We have given the Board quite a lot of information to digest in the packets today, specifically, Resolution UA 2006-14, which was adopted December 5, 2006. Also included are the minutes of that meeting, so the Board can recall the conversation that took place at that time. The fee structure for inactive account charges is included in the agenda packets, as well as the last eight months of revenue we have received. Shown, also, is the amount we have not collected of that revenue. We have included Mr. Zucker's accounts at Orange Blossom Investments and CD Atlantis. Mr. Zucker addressed the Board several weeks ago. In addition, we have some correspondence from John and Debbie Stallings along with Mr. Thiess's response and a letter from Mr. Koblegard concerning inactive account charges. Murray Hamilton of PRMG has given us a technical memorandum.

An inactive account charge is, basically, a readiness to serve charge. It is similar to a garbage bill and a cell phone. Whether or not you use the garbage service or cell phone, you will be charged for it. It is a fixed fee each month. That is what we are doing with the inactive

account charges. Current residential rates are based upon meter size at a minimum of 5/8 inch meter. Electric customers would be charged \$6.01; Water customers, \$10.75; and Wastewater, \$13.33 for a total of \$30.09 per month. With the taxes, that would come to \$31.94. For commercial customers with a single phase electric meter and a one inch water meter, they would be charged \$65.92 per month. Revenues we've received over the last eight months total \$513,000. We estimated for the calendar year 2008, they would be around \$824,000. If we eliminated the inactive account charge, it would raise rates to our other customers by \$2.86 per month. The breakdown is \$1.65 for electric, \$.69 for water and \$.52 for wastewater. As you can see, Mr. Zucker's is an extreme case. He has 70 units, total, and he gets billed \$12.92 plus taxes for a total of \$15.58 for each of those units that are unoccupied for the month.

This is a fee that is new for FPUA, but not new for the area. Included in the packets is a letter from Mr. Abramowicz which lists all the cities that have adopted the inactive account charges. Included is the City of Port St. Lucie, St. Lucie West, Charlotte County, the City of Casselberry, City of Leesburg, City of Miramar, City of Stuart, City of Titusville, Martin County, Okeechobee Utility Authority, Palm Beach County, Jupiter, Wellington, Progress Energy, and Tampa Electric Company.

Mr. Drummond said he will throw his two cents out, and we can move from there. When staff and the consultant brought forth the plan for inactive account charges, the concept was one that was universally well received by this Board. Clearly, these revenues are helping to offset the costs to our ratepayers in terms of those who are asking for capacity and requiring that we reserve it and using it only a portion of the year. He doesn't think, as one member, he is looking for us to abandon this program. He certainly thinks we've reached a point, now that we've had it in place and have had an opportunity to see it in action, where he would like to have an opportunity to hear from the general public in terms of both their living with it and what kind of hardships it may have caused. He sees in his packet at least two instances where individuals have suggested it has caused them problems. He is not opposed to looking in terms of setting aside some time to hold a workshop. He wants to be sure we take as much time as needed to make sure that as we go through the life of this, we are making sure it is equitable for all customers, and we're getting a real good value both in terms of existing customers, as well as, those who are using our services on a semi-annual basis. That was one of the reasons he wanted this to come back to us.

Mr. Perona said originally we looked at this, and he thinks it was mostly for those people that come down for six months and would then turn off their water and breakers and leave. Basically, it was costing the general ratepayers of our community money just because of having to have capacity and maintenance on the lines. It was really easy for us to see the value of being able to charge inactive fees. In the midst of all that, we ended up with two things that happened. One is there ended up being a lot of vacancies all of a sudden. The housing market went in the tub. He has gotten several phone calls from people who have units they can't rent out and they can't sell. To add salt to the wound is the bill that keeps coming in every month, and it is aggravating them. That was not our major intent. Our real intent was not to make our ratepayers pay for something others should have to pay for the ability to have that asset available. He is torn. In this economic time it is really an aggravation to some people and a hardship. He never really thought when he voted for it that we were hurting these type of people. Our biggest motivation was to make sure it was fair and equitable to everybody, that ratepayers who are there every month shouldn't have to pay the

extra two or three dollars every month to offset those inactive charges just so we could have capacity and services ready for those that have it on sometimes and have it off other times. It will be interesting to hear if there is a better way to do it. He would like to look at that.

Mayor Benton said we have the list of the other cities and counties that are doing this. He was wondering how our fees stack up with theirs. Do we have a chart on that, or can we have a chart in the near future, so we can compare? Mr. Giel said we can put something together. The Mayor knows when we first talked about this we had some comparables, but he would like to know how others deal with a situation such as Mr. Zucker's when you have an empty mall with a hundred different stores. Do they deal with something like that differently compared to people who have a small duplex or an empty unit somewhere? Maybe it is done by square footage. It is worth looking into.

Mrs. Cully said she agrees that we need to be fair and be sure that all ratepayers do not have to pay these fees. She doesn't think when we were doing this and approving it that we could foresee down the road what was going to happen with all these vacant properties. She thinks the idea of a workshop to find out what other cities do, for instance, and what we could do to make it fairer would be a good way to go. Mr. Drummond said he would think most certainly we would want our consultants involved, because anything we do is going to have to be justifiable, so there are no questions about inequities. We want to make sure we are still maintaining sound business practices with regard to collections. There are question marks he thinks we could get some additional information about.

Mr. Summerhays said one thing we do need to remember is the people who have complained are operating a for-profit business, and they benefit from the ability to have utilities available. He cannot see any fairness whatsoever in raising the rates of others who are paying every month, just because these people are running a for-profit business and happen to have a time when it is hard to rent. He was a landlord for a long time, as well as, Mr. Perona, and this type of thing is part of the cost of doing business as far as he is concerned.

Mr. Perona said he was reading through Mr. Stallings letters, and Mr. Stallings maintains he is not a customer, and he has rental property, but is not a customer, so why should he be billed. Mr. Perona is thinking that might make sense, but if you sit and let those fees accumulate to the next person Mr. Stallings wants to rent to, he is still not going to rent the unit, because the fees will be large. At that moment in time he becomes a customer, because he is going to lose customers because of that. He went through Mr. Stallings' letters several times, because he, too, was a landlord for a long time and would feel the same way, but understand in the full gamut of everything is that he doesn't mind backing off and making these charges go away, but he cannot charge the ratepayers the extra amount. When we hook up a house or apartment building, we've made a commitment to be able to service them. If they decide not to use it at any give time, we still have to maintain the lines and have the capacity in our wastewater plants or water plants, and all that costs money. That is what relates to us and our responsibility to everybody else. He would love to hear from the public what they think.

Mr. Drummond said he somewhat agrees with Mr. Perona. When we initially looked at this the thing we were really looking at was the concept of those individuals who were part-time residents. They were the ones we were firmly under the impression were coming in, reserving

that capacity, going away, and still recognizing those costs associated with maintaining that were ongoing. Most certainly, we didn't anticipate the market to do what it's done. He agrees with Mr. Summerhays that it is a risk and part of doing business. At the same time, we also recognize that businesses are part of the mainstay of any community and it's survival. We don't want businesses to go away just because it is a part of doing business.

Mr. Thiess said this is really analogous to the guaranteed revenue charge on a smaller, more widespread scale. The guaranteed revenue charge is set up where a developer comes in, pays for, say, 800 units, but only builds 100. The other 700 units have been paid for, the capital improvement charges are paid, we're reserving capacity and can't sell it to anybody else. It is locked up. We've signed the DEP permits, and the developer pays the guaranteed revenue charges to carry the costs of us carrying that capacity until those units are built. This is a very similar concept. We have committed the capacity to those people who are inactive part of time and can't sell it to anybody else. We have to maintain the capacity and maintain the plant so we are ready to serve. There is a real cost associated with that. He guesses the idea behind this is that people generating the cost of standby capacity are the people who own the property. That is the concept behind it. He knows there are philosophical differences, and you're going to hear some of them shortly, but that was the concept covering the portion the guaranteed revenue charges don't cover. The guaranteed revenue charges cover the large developments that come in to pay and build only a small part of their project.

Mr. Drummond said at this point he will ask if there is anyone from the public who would like to have any input with regard to this. We are open and willing to hear it.

Mr. John Stallings approached to address the Board about the inactive account fees being charged on his vacant rental property. His position on that is pretty close to what is being presented. First off, he's not a customer. He hasn't requested services. He has received no services. As a non-customer, how can he justify getting billed for services from that business. He owns a construction company. If he buys a piece of equipment and it sits inactive, can he bill people within his service area for that inactivity? No. It would be foolish for him to think that he could. Nobody would take it seriously. It doesn't work that way. As a business, that is a cost of doing business. Those fees need to be looked at as being incorporated into the fees being charged to customers. He suggested to Mr. Thiess and Mr. Abramowicz to look at account activation or account deactivation fees. That way you're only affecting the people on either side of the inactive account. It doesn't ring true to him that he has to pay when he is not a customer.

Mr. Summerhays said Mr. Stallings is a builder. He asked him if you build a warehouse or a storage area, and somebody came and said they wanted to reserve a unit, however, I don't want to pay you for holding it for me; I'm not going to be using it for the next year, would you as a business man have any interest in renting to that person? Mr. Stallings said absolutely not. If he wanted the unit, he would have to pay for it. Mr. Summerhays asked if he doesn't think that is exactly analogous to our situation with our inactive account charges? Mr. Stallings said he does not. He is not a customer and is not requesting your services. Mr. Summerhays asked Mr. Stallings if he would mind not having utilities at his rental property. Mr. Stallings said those utilities are there for the UA's customers, as well as his tenants. You are providing a service and collecting a fee for that, and therein lies the transaction from his perspective. Your customer is not Mr. Stallings. It is the person requesting services. He is providing the property, because he owns the property and the house for that customer to

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come and ask the UA for services. For Mr. Stallings to be billed for inactive account charges, doesn't ring true for him.

Mr. Perona said let's say we accumulate inactive account fees on Mr. Stallings property and don't charge him, but charge the first person that rents the property, would that not bother you at all? Mr. Stallings said he doesn't believe that mechanism would work. He believes we need to look at a different mechanism. Mr. Perona said our whole motive is not to charge our ratepayers for something they're not getting. In the same vein, he doesn't want to charge Mr. Stallings for something he's not getting. As Mr. Summerhays said, when you have that rental unit, part of the attraction of that unit is having utility services. When your tenant comes in they are asking if it has city water or a well in the back. Those things make a difference in marketability.

Mr. Stallings said the solution he offered was the account activation and deactivation fee basis. In doing so, you are not affecting your overall customer base. You are putting the charge on the people requesting your services or shutting off your services. It is your obligation as a board to make sure those costs are covered. Looking at the fairest way to make that happen, he feels just as unjust getting charged for this as one of your customers who has had their power turned off for 30 years and never had it disconnected. The tenant doesn't feel justified in getting charged for that inactive account fee on Mr. Stallings rental unit over here. He doesn't feel justified in getting charged for that inactive account fee when he lives in Stuart. He has accounts open with the UA, but not on his vacant rental units.

Mr. Drummond said this is a philosophical discussion that could go on forever.

Mayor Benton said one of the reasons he supported this when the market was better, is one of our biggest problems is rental units when the landlords aren't here. He thought this would be a mechanism when somebody is leaving, to encourage you to market your unit and get it back in use, because this time of year you are having to pay for maintenance; having the yard mowed. We had at one point almost 40% of the housing in Fort Pierce as rental units. It was a nightmare for the City to keep up with. He thought it was a way to keep people in those units instead of having the landlord saying he will get around to it. He didn't support it in order to put a hardship on anybody. Mr. Stallings said market conditions are making it very difficult for him to keep his units rented. His vacancy rate has risen dramatically. These fees are compounding it.

Mrs. Cully said she is trying to figure out why it is more difficult to lease property now when there are a lot of foreclosures. Mr. Stallings said his evaluation of it is because of foreclosures and because there was a lot of speculative building, because there are a lot of units on the market now, those are getting rented. They were built by speculators, mainly, not as homes, but to turn over and make a profit. Because of the direction of the market now, they can't turn them over. Instead of taking a full loss, they are holding them with rent money. They are renting these new units at the same rate he is renting his 30 year old units. If he was a tenant, he would be renting newer, too. A lot of the speculators and investors are trying to stem the flow of blood. They are trying to wait the market out until a time they can at least break even or make a profit.

City Manager Beach exited the meeting at this point.

Mr. Drummond asked if anyone else would like to be heard.

Mr. Harry Zucker approached the podium. He stated he manages Orange Blossom Business Center and Florida Furniture Mart. He is redeveloping some commercially blighted properties in this city. The mall, which is now a business center, was completely empty three years ago. We have been filling it up and trying to get people in there. To get a landlord to put in the time, effort and dollars to do that, it just doesn't seem fair that he has to pay an additional \$15,000 a year to not use your electricity. He thinks you did not think about a commercial operation where somebody would come in with these large properties and would have meters already set in them. If he requested them to come out and take out his meters or have them put back in, he can see a reasonable charge to reinstall them. He can see a direct cost to the UA of having a guy go and pull the meter out, put it back in and test it to make sure it is working properly. He is a little grey on the reserve capacity part of it. FPUA has a new power plant on Midway Road, and he thinks you can predict how much electric capacity you will have in the summertime or wintertime here. You know from history and building permits as to how much capacity you should be using and how much is coming. He has a problem with paying back charges. If he says pull the meter out and then put it back in later, he doesn't understand why he would pay the back charges or any capital improvement fees. He doesn't mind paying a reasonable fee to have a meter put in. He thinks \$15,000 per year is not right to not be using electricity. He feels it is a hardship on the general public to be paying an extra \$2.00 on their bills to make up. He understands the UA's issue. He wants you to understand as a commercial developer, we are trying to bring businesses to this area. We are trying to bring resources, and he has to explain to partners why he is in Fort Pierce paying \$15,000 a year to not use electricity.

Mr. Perona asked Mr. Thiess what percentage of our inactive fees are commercial versus residential? Mr. Bill Abramowicz said he does not have percentages. He does have the revenue from our IAC's where if you go to May you can see he has numbers associated with residential versus commercial. Currently, we have 2,492 residential customers billing zero for this charge. On the commercial end, we have about 786 customers.

Mr. Zucker said someone used a comparison of cell phones and how you have to pay for them if you use them or not. That is somewhat correct, but you can always turn the cell phone off and then pay an activation fee to get it turned back on. Maybe you have to up that type of fee, not to cover all the back charges, but to have a more reasonable installation fee for commercial.

Mr. Perona said just as a point, the power plant referred to was built by Florida Municipal Power Agency, and we are partner with 29 or so other agencies with them. We buy our power just like everybody else. Mr. Zucker's points are well taken, and he is sure this Board will take a look at these charges to try to make them fair and equitable for everybody.

Mr. Pat Murphy said he would like to talk about something that he thinks is somewhat related to this. That is those vacant sites throughout the City where there were improvements demolished, such as Coral Square, and all the individual houses, literally hundreds of them in Fort Pierce. For years that was a good re-development incentive to tell a particular customer that if they purchased that site, they would not have to pay Capital Improvement Charges. He understands that has been modified and supposedly it is somehow tied into the problems

this ordinance creates. Redevelopment is obviously critical in a lot of areas, whether it is commercial or residential in Fort Pierce.

Mr. Thiess said he thinks the bottom line is if it is a demolition, we have to cut services off and usually pull the meters. His recollection is that if they had service, and it is a residential unit going to another residential unit and there is proof that there was service at the address, they don't have to pay Capital Improvement Charges. They are grandfathered in.

Mr. Abramowicz said that is correct, but they would have to pay the inactive account fees that would have accumulated had the account been active. Mr. Thiess asked if that is true for a tear down, also. Mr. Abramowicz said yes. His original interpretation of the resolution was that those removals were actually more of an involuntary removal; however, our Attorney advised us we needed to charge those charges as the resolution stands today. Mr. Thiess said if we workshop this issue, that is something we could reconsider.

Mayor Benton asked what the charges were that we were talking about in the redevelopment of the Moore's Creek area where we had some developers coming in. Mr. Thiess said the developer was wanting us to waive Capital Improvement Charges. He believes most of the lots they are talking about had never had service, but the developer wanted the Capital Improvement Charges waived. As a general policy, we don't do that. Mayor Benton said some of the lots had structures that were condemned. Mr. Thiess said they worked with Bill Abramowicz on those lots, and they were credited for whatever service had been there. They did not have to pay Capital Improvement Charges again on those properties. The inactive account charge just began in October 2007. Mr. Drummond said if we have a workshop on this he would be interested in discussing the inactive account fees as they relate to residential infill lots where a structure has been demolished. He thinks that does have an impact and has the potential to be an incentive to reconstruction in those locations.

Mr. Summerhays said the problem of treading into new territory is we always have the unintended consequences. Mr. Perona said it is good that this Board will reexamine each time and listen to the public to see what is going on. We don't just make policies and stand on them and defend them to the nth degree. It is a changing mode.

Mr. Summerhays thinks a workshop is in order. There are areas we need to do some rethinking on. Mayor Benton said if we could, for all the cities and utilities, including FPL, if we could have their rate schedule, what they are charging if they have these charges, so we can know how we compare. Maybe they have fine tuned it and are going what we are going through now. Mr. Abramowicz said he will put that information together.

Mr. Thiess said staff will prepare an agenda for a workshop, discussion items, work on the requested items, like schedules for inactive account fees for other utilities, get that information up front and review areas of this resolution we might want to look at changing. We will get that to the Board and make sure we agree on the agenda and what those items are. Once it is agreed upon, we will schedule a workshop.

Motion by Mayor Benton, seconded by Mr. Perona and unanimously carried to approve the Minutes of the Joint Workshop of June 19, 2008.

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Mayor Benton said when the date first came up after he had already made plans, he had informed the Board he would not be able to attend the meeting, unfortunately. If he had not been in Miami, he would have been in attendance at the workshop.

Mr. Cairo Vanegas, Assistant Superintendent of Electric Transmission and Distribution, gave an update to the Board on the North American Electric Reliability Corporation.

Mr. Vanegas said this presentation concerns a new regulation that is affecting all electric utilities. How did we get here? The first driving factor is interconnected transmission systems. Loads increased exponentially over the last 50 to 60 years, systems grew larger, tie lines were added. That was good, but not enough emphasis was placed on reliability of the interconnected bulk electric system. Our government defines bulk electric systems as lines and equipment operating at over 100,000 volts. For us that represents a very small fraction of our total electrical system, which is a good thing. Some of the standards are specific to this category, but not all of them. The next driving factor includes major blackouts we've had. The first one occurred in November of 1965 that affected 30 million customers. Some years after that there was another outage limited to the New York City area, and recently, the August 2003 outage that affected 50 million customers. That was by far the largest that has ever occurred.

In response to the 1965 outage, National Electric Reliability Council was formed. This was a group that was formed within the industry. They drafted voluntary standards, later incorporated as a not for profit agency in 1975, and later in 1981 changed the name to North American Electric Reliability Council in recognition of Canada's participation. The Federal Energy Regulatory Commission (FERC) was tasked with taking a hard look at the 2003 outage. In their final report they concluded reliability standards should be mandatory and enforceable by the government. On the heels of that came the Energy Policy Act of 2005. That gave additional responsibilities to FERC; namely, to ensure the reliability of the interconnected transmission system and to impose civil penalties on those who violate FERC rules.

NERC has been around for some time, but jumped all over the opportunity to become the Electric Reliability Organization for the US and Canada. This happened in early 2006, and by mid year FERC had approved their request. They included 102 reliability standards. Those have come into effect and are mandatory now. It wasn't until last year in June that compliance with all these regulatory mandates came into effect.

The first thing NERC did was to create a registry. In this registry, they took every utility and categorized them based on what they do. For FPUA, we are designated as a transmission owner, distribution provider and a generation operator. Initially, we were also a generation owner, but that went away with the decommissioning of the King Plant. Just for comparison, FPL is registered as performing thirteen functions, so he is glad to say our plate is a lot less full. Our audit cycle is three years, and our first audit will be May 20, 2009.

Compliance monitoring is carried out for the most part by one of the eight regional entities. From the map you can see almost the entire peninsula of Florida falls under Florida Reliability Coordinating Council (FRCC). They have the day to day responsibility for doing compliance monitoring. That includes on-site audits, spot check incident investigations, monthly and

annual self certification. NERC is still at the sidelines, so they can join in at any time for any of these spot checks or on-site audits, but for the most part they let the regional entities do their thing and work more on developing standards, ensuring inter-regional consistency and any disagreements that a utility would have with their regional reliability organization. NERC has the final say.

If you are not compliant, penalties can be severe. NERC has laid out a base penalty table. They put it out very early in the process, even before the penalties came into existence. There are violation severity levels indicating the degree of the violation. Also indicated are violation risk factors. Low risk factors would probably be administrative in nature, such as not having all your recordkeeping in place. Medium risk would mean the violation would have the potential to create instability to the bulk electric system. High would be a very high likelihood of resulting in outages. The top penalty figure is \$1 million dollars. They could probably even argue that it could be applied per incident per day. Mr. Vanegas would make the argument that being a small system with very little assets that fall into the bulk electric system category at 100,000 volts or higher, that we would never fall under the high criteria. He thinks a lot of the member cities in Florida agree in their own cases.

Last year when the standards came into effect, we filed two mitigation plans to give us the couple of months we needed to get some more documentation, mainly, from FPL. We also needed assistance from FMPA in creating some documents. Then we had to publish them. They are available on our intranet. The first one is Facility Connections Requirements. We filed our annual self-certification in December. We started working aggressively in getting our dispatchers NERC certified. Now, five out of our six operators are NERC certified. Mr. Vanegas completed that program himself, also. FMPA jumped on board and helped out all the member cities by filling a Compliance Officer's slot. This Compliance Officer is a very experienced individual and was actually an auditor in the Midwest. He attends on our behalf, APPA meetings on the subject, meetings at NERC and FRCC offices, and he brings all that information to us. He sits on the standards drafting team, so he keeps us abreast of future changes coming down the line. He has also set up mock audits. We had one this year in the Keys and Mr. Vanegas participated in that. Last week there was another audit. We will share all the findings.

We do have delegation of responsibility agreements with FMPA. The first one is FMPA has agreed to take on the compliance responsibilities for being a load serving entity and a transmission planner. Those are designations we are glad not to have. We are a generation operator for Treasure Coast Energy Center, so we have full responsibility for complying with all the standards that apply to generation operator.

Costs so far have been pretty minimal, mainly because we don't have a whole lot on our plate. The biggest one was obtaining the initial NERC certification for seven employees. That cost around \$11,000.00. The on-going training to maintain that certification will be about \$11,000.00 for all seven employees per year.

The Chairman thanked Mr. Vanegas for the update.

Mrs. Nina Hurtubise presented a request for approval of the Purchased Gas Adjustment for the month of August, 2008.

Mrs. Hurtubise explained the proposed purchase gas adjustment will increase by 15 cents from \$.90 to \$1.05/CCF. This will increase the average residential customer bill to \$39.33. She displayed a chart of what gas prices have done. They continue to rise. She is hoping this is it for a while, but she can't promise that. She doesn't have a crystal ball. It is looking like the gas prices are starting to stabilize a little bit. For the month of June, our average cost per CCF is \$1.18. We have been looking at the chart for a number of months and it has been going up. What she has been thrilled to see in the last week or two is that these prices are starting to fall a little bit. These are actual figures, and she is seeing the same in the futures market, as well, in the last couple of weeks. We will look at the PGA next month and if we can, we will decrease it. Hopefully, we will not have to raise it again. We are in a deficit situation right now, so we are recovering a deficit.

Motion by Mr. Summerhays, seconded by Mrs. Cully and unanimously carried that the Purchased Gas Adjustment for firm service for the period of August 1, 2008 through August 31, 2008 will be +\$1.050/CCF.

Mrs. Nina Hurtubise presented the May 2008 Financial Operating Results.

Mrs. Hurtubise stated May, 2008 was a pretty good month considering the power bill we got. Our income before City distribution, capital contributions and extraordinary expense was about \$4.8 million. Our capital contributions continue to be strong, although for the month they were pretty weak. We do continue to experience decreases in water and wastewater units billed. Units sold as compared to the last two years, electric is up a little bit from last year, but still down from 2006; so we are recovering. Overall electric as compared to last year is up 3%. Nothing tremendous. Water has dropped. The watering restrictions began in the middle of 2007 and have greatly impacted us. We are down 10% from 2007 level. Wastewater, again is dropping. It is certainly the result of all kinds of conservation measures. Natural Gas is up 1% from last year. The dollars associated with units sold show electric up 15%. What is deceptive in looking at that increase is that about \$4.5 million relates to an increase in the Power Cost Adjustment. That is about 75% of the increase. Although we are seeing an increase in operating revenues, it is a result of power costs that are just going out the door. Of those increases about 1/3 is residential and 2/3 is commercial. There has been a 2% increase in water revenues. It relates to the rate increases, because it doesn't relate to units sold. Wastewater is up 5% and Natural Gas is up 4%. We have a similar situation in that 90% of the 4% increase relates to Purchased Gas Adjustment. Again, it is not money going into our pockets. It is passed through to our purchased gas and purchased power providers.

Our debt service coverage is up to 2.61, well above the 1.25 required by our bond covenants. Last month we had significant increases in non-cash contributed capital, but we only gained about \$421,000 out of \$14.18 million. Overall, our purchases for resale year to date are up \$4 million. Our City distribution paid in April was up \$743,000 from the year before. Now that the power plant is fully depreciated and is off line, we will no longer see about \$245,000 per month in our depreciation expenses. It will look good for a little while, anyway. As we add assets, the depreciation goes back up again. We have also seen a 31% decrease in property and liability insurance and claims. There was \$210,000 in interest expense because of the decrease in interest rates.

Mrs. Hurtubise presented a request for approval of the Amended FY 2008 Operations & Maintenance Budget and the Original FY 2009 Operations & Maintenance Budget.

Mrs. Hurtubise said we presented to the Board two weeks ago, the Capital Budget. Now we present the income and expense side of the budget process. In three weeks we will present the annual budget, which combines both. Our sales revenues and other operating revenues are what we receive on a regular basis from our customers for our services. As you can see, our sales revenues are expected to be up 1%. What we are comparing on the screen now is the 2008 original budget to what we are proposing for the 2009 original. These figures are not included in the agenda packets. The non-operating revenues are expected to decrease considerably. This relates to the wastewater grant that we received and will no longer be able to draw down on in 2009. We can't budget non-cash contributions. The significant drop in the cash contributed capital relates to the denial of the funding for the Hartman Road Substation and other deferrals and cancellations of projects by developers, the City and County. One of the questions the Chairman had brought up at the capital budget meeting is what is different in this budget than what was presented at the Joint Workshop. She thinks these she can address. For the contributed capital cash, those numbers dropped about \$2.5 million. That is the removal of the 13th Street project she was asked to pull at the last board meeting, as well as some contributions for fiber optic expansion. We had originally put a million dollars in the project discussed earlier by Mr. Tompeck for bringing the power plant property to four feet below grade. That was reduced to the latest estimate of actual numbers. Also, Barter Agreement revenue and expenses was added for the Manatee Center. That is something the Board sees in an agenda item every year. We did adjust the Treasure Coast Energy Center downward in 2008 by \$52,000 and upward in 2009 by \$137,000 based upon better estimates. Overall, between the original budget for 2008 and 2009, there is actually a decrease in revenue of 9%. Really what we're looking at is a 1% increase. We can't just look at the bottom line. We have to look at what it is made up of.

Mr. Perona said the extraordinary income, the \$574,000, what is that? Mrs. Hurtubise said it is actually \$774,000. That is the revenue expected to be brought in for demolition of the H. D. King Power Plant.

Mrs. Hurtubise said rather than adjusting revenues, we adjusted the purchases for resale to reflect the revenues that were going to be recovered in the PCA on the revenue side. We have to have a match between revenues and expenses. So, if we are undershooting the expenses here, we're also undershooting the revenue. We could have done it the other way around, but we didn't. We chose to do it this way, because it is easier to project the expenses than it is the revenues. She further reported we reduced those numbers \$14,000,000 in 2008 and \$19,000,000 in 2009.

The increase in personnel services relates to the filled vacancies and historically low turnover. The employee benefits relates to the actuarially computed retirement contribution, which will be dropping in 2009. She knows it shows there is no change in commodities, but it is her position that by showing a zero increase, we're actually showing a decrease, because the cost of commodities is going through the roof. She has some examples she will cite later. The decrease in depreciation is related to the power plant. The decrease in interest expense relates to a decrease in interest rate. Current estimates for City distribution indicate it will be based upon a 40% level again for 2008, paid in 2009. We will see when we get there.

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As you can see, overall, there is a 4% reduction in the budget at a time of increasing prices. That is pretty good as far as she is concerned.

Mr. Drummond said, just for the record, he would like it to be clear. The 6% increase in personnel services does not reflect a 6% increase in salaries. Mrs. Hurtubise said it is merely filling vacancies. Mr. Drummond said it does not reflect rate of pay increases of 6%. Mrs. Hurtubise said that is correct.

Mrs. Hurtubise said although the original budget in 2008 was a little bit overshoot, we are still projecting some increases in 2008 by the time we end the year. We overshoot on the fiscal year 2008 original budget as far as electric operating revenues versus consumption. You will see that across the board. We have a very similar situation in water. The 2008 original budget was a little bit overshoot. You can see that there was a huge drop in 2007 when the water restrictions kicked in. There have been some small increases since then. The revenue budget for wastewater wasn't so bad, but we definitely overshoot the anticipated gallons billed for wastewater in the original budget. We didn't do too bad with the dollars in natural gas, but we sure overshoot the anticipated consumption. There was a big drop, and it has been pretty consistent ever since in terms of consumption. There was some drop in dollars due to, she believes, loss of a customer. A gradual increase in natural gas operating revenues is anticipated for 2008 and 2009.

Mrs. Hurtubise showed the Board the picture of expenses net of transfer. Anything that is capitalized has been pulled out of these numbers. This is really what we are looking at when we look at the financials each month. What this is intended to display for five years is a very consistent operations and maintenance budget. If you back out the electric purchases for resale in FY 2005, it is up \$52 million. When you get to 2009, if you take out electric purchases for resale, it is about \$60 million. That is about an \$8 million increase over four years. That is an average increase of 4% per year. It is a very modest, middle of the road percentage of increase.

Purchased power and natural gas are completely out of our control. Unfortunately, they are costs we have to pay regardless, because that is how we serve our customers. Natural gas costs are up 93% this January, 2008. We are all paying for it dearly.

Keep in mind, everything we purchase is competitively bid by the City Procurement Department. Anything over \$10,000 is formally bid. We are getting the best price we possibly can for what we are purchasing. Included in items that have increased in price is copper. Copper is used in our overhead electric lines. It is up 392% over 5 years. That is a rate of 78% per year for the last five years. Aluminum is up 71% in three years. Chemicals for our treatment process have increased tremendously. More uncontrollable costs are health care costs. They are kind of flat right now. We have good years and bad years, because we're self insured, but we've been doing fairly well. Property and Liability insurance are going down. Workers Comp is pretty flat. We believe because of tight times that our utility bad debts are going to be going up. We cannot control Social Security, Retirement and Medicare Costs. Our gross receipts tax has to be paid on whatever we bring in.

We have a series of controllable costs. We have a formal bidding process through the City Procurement Department where contractual services are bid if they are more than \$10,000. Our consultants' fees have decreased. We have consultants filling fulltime equivalent

positions, and those will be going away in the next couple of years. Our continuing professional engineers are not competitively bid. They are controllable to a certain degree. If we are able to do designs in-house, we do, but if we can't, we access the use of our professional engineers. Another controllable cost is maintenance of our buildings, vehicles and equipment. We could choose not to maintain these things, but that is not a wise economic choice. There is a certain amount of training required. It is key in our succession planning. We consider the idea of renting equipment versus purchasing it. It doesn't make sense to rent our vehicles, since we run them into the ground.

As she indicated earlier, based on preliminary estimates for the 2008 results, operating revenues will not be sufficient to pay the City the distribution based on the 6% formula. The number for 2009 is expected to be \$4,849,105.00. The calculation can be found on page 24 of the draft of the O&M Budget. She has already passed the information along to the City's Finance Department for budgeting purposes. The calculation of the City distribution does not include the power cost adjustment and the purchased gas adjustment. Neither the City nor the UA profit on those revenues coming in.

The annual budget will be presented to the UA Board on August 5th. Assuming it is approved, we will take it to the City Commission on Monday, August 18th.

Mayor Benton said when it comes to health insurance, the City was self-insured, and it just changed. We hope we can save a lot of money. At the end of the year the City was always looking for an additional budget amendment to a tune of close to \$1 million. The City is with Blue Cross Blue Shield now for a considerable savings. He suggested the UA use the City's consultant or take a look at those numbers soon. Mrs. Hurtubise said we look at insurance on an annual basis and now is that time of year. Mayor Benton said he would like to invite FPUA representatives to a meeting with the County and City with Port St. Lucie. Port St. Lucie set up a clinic, and we will be looking into that, because they saved over a half million dollars last year. If the City, County, UA and School Board buy into this, we are looking at possibly a second clinic in the northern part of the County to save us all a lot of money when it comes to health insurance. He will get Mrs. Hurtubise that date, and he thinks we should check it out.

Motion by Mrs. Cully, seconded by Mr. Summerhays and unanimously carried to approve the amended FY 2008 Operations & Maintenance Budget and the Original FY 2009 Operations & Maintenance Budget.

Mr. Drummond thanked Mrs. Hurtubise for all the work she has done on this. He would like the public to know we did exhaustively go through this budget in our workshop, so this is a formal recap of the budget. Of course, we will have the entire budget before us in August, so everyone will have another bite at the apple if they so choose.

Mr. Doug Giel presented a request for approval of Resolution UA 2008-09 changing FPUA's lobby hours.

Mr. Giel explained in the packets, you will find a new resolution replacing an older resolution that describes all the working conditions of our Customer Service Department. We would like to get the Board's permission to change our lobby hours. The current lobby hours are 8:00

a.m. to 5:00 p.m. We would like to change those hours to 9:00 a.m. to 5:00 p.m. The drive-through is currently open from 8:00 a.m. to 5:00 p.m., and we would like to change those hours to 8:30 a.m. to 5:30 p.m. The switchboard will remain the same, which is 8:00 a.m. to 5:00 p.m. We have advertised this change already to our customers. We have advertised in the newspaper, placed signs upon lobby entrances and sent out fliers to all our customers over the last five weeks. It was brought to our attention that the hours were in the resolution, itself, so that is why we are bringing it to the Board for approval at this time.

The reason we want to change hours is due to costs. It is currently costing in overtime around \$15,000 to \$20,000 to train Customer Service Reps. They come in every other Thursday for one hour at 7:00 a.m. to 8:00 a.m. on overtime. There are 29 people in that department. By changing the opening to 9:00 a.m., it gives us five hours a week to train and catch up on work that needs to be caught up. When you look at our customers, you see that they have the ability to go to Jackson Drugs, open Monday through Friday from 8:00 a.m. to 7:00 p.m. and on Saturday from 8:00 a.m. to 4:00 p.m. They can also go to Riverside Bank which is open Monday through Thursday from 9:00 a.m. to 4:00 p.m., Friday from 9:00 a.m. to 6:00 p.m. and Saturday from 9:00 a.m. to 1:00 p.m. Their drive-thru is open Monday through Friday from 8:00 a.m. to 6:00 p.m. and Saturday from 8:00 a.m. to 1:00 p.m. We are also thinking about opening a new cash payment center at Ace Cash Express, which is at Taylor Creek Plaza. We will be looking at additional cash payment centers throughout the City in the next six months or so.

Mr. Drummond said there are two parts here. He will deal with the resolution first. Mr. Giel indicated that what you found was any time we wanted to look in terms of changing the hours of operation, it necessitated going in and doing a resolution change. Mr. Giel said that is correct. Mr. Drummond agrees that is a bit cumbersome, and he doesn't have a difficult time changing it, so that we don't have to do that every time. But, he would hope that what we are not going to get away from is if we do want to change the hours of operation, that it would be something that is done here at the Board level. He asked if it would necessitate coming before the Board if we change the hours again. Mr. Giel said yes. We can do that.

Mr. Drummond said the other thing with regard to the hours of service as they are now, you indicated it was twofold. One, was the fact that there was a potential savings of \$15,000 to \$20,000 in overtime per year that is now being paid for training. The other part was that you were suggesting you found that 8:00 a.m. to 9:00 a.m. is the time you found the lobby is not very busy in terms of usage. Mr. Giel said the usage varies quite a bit. The hour of 8:00 a.m. to 9:00 a.m. is very busy during the first week of the month. It is busy every day, all day long during the first week of the month. We feel we can accommodate that with our lock box that customers can drop their cash payments into during that time. Mr. Drummond said this is a result of wanting to be able to do on-going training, and this is the best way to get it done during work hours without having to incur overtime. Mr. Giel said that is correct. Mr. Drummond said he is all in favor of saving where we can, and we are hearing more and more in terms of what we can do to save, so we want to encourage that. But, by the same token, he has listened in terms of why do we have a local utility versus an outside owner investor utility. He has always maintained that customer service is one of the benefits that hits you right off the bat. Especially now, as things become more difficult and our customers have more questions, it is very good to have more places for them to pay, but he wants to make sure we are very sensitive in terms of having a face and someone to talk to. That is where he believes customer service comes in. He would want us to be able to go back and revisit this

and not just do 9:00 a.m. to 5:00 p.m. from now on. He would hope we are sensitive as we move forward, so if there are concerns with regard to the changes in our hours of operation, we do go back and revisit it.

Mrs. Cully said she is confused. She assumed there would still be someone to be face to face with the customer at 9:00 a.m. as there was at 8:00 a.m. Mr. Drummond said there will be, but from 8:00 a.m. to 9:00 a.m., there will not be, so we are cutting down on the face to face time, as he is understanding it. Mr. Giel said the drive-thru will be open at 8:30 a.m., so they will still have a face, but they will be in their automobile.

Mr. Perona said the switchboard is still open at 8:00 a.m., but there may not be any assistance for anybody calling for specific customer service until 9:00 a.m. Mr. Giel said correct.

Mr. Thiess said training is a big part of it. We have a lot of training we have to do with the relatively new software with Cogsdale. Also, we're implementing a lot of new programs. Many of the things that have come out of strategic planning are focused in the Customer Service area. We're doing customer surveys and that sort of thing. We have a lot of other work going on that has nothing to do with face to face interactions. That work will happen in the first hour. At 9:00 a.m. the doors open for customers, and we're back to business with the customers from 9:00 a.m. to 5:00 p.m.

Mr. Drummond said, again, as we move forward and the price of generating electricity is being passed on to our customers, we're talking about wanting to work with them to find ways to help them conserve, and we have different programs coming on line, so, it is not going to just be bill paying. Hopefully, we're going to have more and more interaction with customers as to how they use those services, so they get the best use in the most cost effective way. That is face to face, and he doesn't want to lose that ability. Mr. Perona said he would be sensitive to the fact if this gets out of hand and a lot of customer complaints come to Mr. Abramowicz due to the inability to service a lot of their requests if this doesn't work out, he would like to be able to revisit that. He is sure between Mr. Giel and Mr. Abramowicz we can hear if this is working out or not. Once we educate our public that this is when we are open, he thinks this will be okay. He feels real good about saving some money. All public services in this community are doing things to save money, and all the ratepayers, taxpayers and citizens of this community have to understand that and go along with the program. He is sure from the City's standpoint, the Mayor is working on things all the time. He has discussed several of those with us, and it is always "what can we cut now, and how can we save money and accommodate the people?"

Mr. Summerhays said he is a little concerned that during the first week of the month from 8:00 a.m. to 5:00 p.m. they are just wall to wall and busy all the time. Are you certain you are going to be able to serve the needs of all of our customers during that first week of the month with reduced hours? Mr. Giel said yes. We had a reorganization of the department that took place on June 16th to create an environment where the customer feels like they have a contact with the Utilities Authority on a consistent basis. In the past we used to rotate our reps from the front line to the call center to cashiering. We're not going to do that anymore. Our customers will see the same face month to month and feel they have a little bit more of a connection or ownership.

Motion by Mr. Perona, seconded by Mr. Summerhays and unanimously carried to approve Resolution UA 2008-09: General Rules and Regulations Governing Provision of Utility Service.

Mr. Thiess explained our Attorney was out on business today, but was available by telephone if we had an issue to bring up with him. He regrets that he could not make the meeting. Fortunately, we did not have anything that required his direct involvement.

Mrs. Cully said she would like to thank Mr. Thiess for his rebuttal in this past Sunday's newspaper. There were a couple of articles recently in the paper she was disappointed in, because they were wrong and no one took the time to check with the Utilities Authority before writing the articles. She thinks the information would have been different had they done so. She thought Mr. Thiess's article was very precise and gave all the information that was needed. She thinks we should somehow get it out to our customers, because she thinks some people don't read more than the front page headlines and the first paragraph. There has to be some way we can get the correct information out to our ratepayers. Mr. Drummond agrees. He would go a step further and be positive and suggest they were at least timely in getting Mr. Thiess's response out. Many times they are not as kind, so at least they did put it in quickly. She thinks that had to do with some phone calls that we made. Mr. Drummond said it worked out well.

Mr. Perona said he wanted to say the same thing. He wanted to say Ms. Levette Dixon has done a great job in talking to our public. Every time he turns around there is some little memo out there. It is an uphill climb, but we know she's there and doing a good job for us. We appreciate it. There is a lot of information we have to get to our ratepayers, it is a hard job, and he is happy she is in our corner working accordingly. Mr. Drummond said he agrees, and is happy to see she is still smiling.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN