

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, July 21, 2009, 4:00 P.M., CITY COMMISSION CHAMBERS

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

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

The meeting was called to order by Chairman Cully.

The Invocation was given by Levette Dixon, FPUA Communications Manager.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Motion was made by Mr. Perona, seconded by Mr. Drummond and unanimously approved to excuse Vice Chairman, Robert W. Summerhays, Jr. because he is sick.

A motion was made by Mr. Perona, seconded by Mr. Drummond, and unanimously carried to approve the one Consent Agenda item:

1. Approved Letter of Engagement with Standard & Poor's to provide a rating in connection with the issuance of Utilities Refunding Revenue Bonds, Series 2009, which will refinance the FMPA Pooled Loans for an estimated \$21,000 in total fees.

A letter was received from the Grace Emmanuel Church thanking FPUA employees for their contribution to their food pantry in June.

Mr. Thiess said approval for the Minutes of the Regular Meeting of July 7, 2009 was put under old business because not all members were present at that meeting.

A motion was made by Mr. Perona, seconded by Mr. Drummond to approve the Minutes of the Regular Meeting of July 7, 2009. Voting for approval was Mr. Drummond, Mr. Perona, and Mayor Benton, abstaining was Mrs. Cully, motion approved.

Mr. Thiess said that during the first session of their strategic planning, the customer survey was an integral part of that planning to see where our customers stood on FPUA

issues. Mr. Thiess said it was intended to be a baseline survey so that we could go back and look at the areas of the survey that might need some improvement. We could then do the survey several years later to see if there is some improvement in our standing with our customers. He said we have taken in to consideration rates, customer service, customers' familiarity with the services provided, the payment centers FPUA has, and understanding their bills. The survey was done through CH2M HILL, our Continuing Contract Consultant and Marla Rawls-Hill of CH2M HILL is here to present the results to the Board.

Ms. Marla Rawls-Hill of CH2M HILL, Atlanta, Georgia, presented the Residential and Commercial Customer Satisfaction Survey results. Ms. Rawls-Hill said that they were asked to conduct a survey of the Fort Pierce Utilities Authority's customers. She said they worked with the University of Florida Survey Research Center to conduct the survey and it was completed in April of this year. Ms. Rawls-Hill said that since everyone has a copy of the survey results and the Executive Summary, she would not go over everything in detail. She said the goal of the survey was to gain the customer's perceptions of the services they receive, how they feel about the Utility and their awareness of some of FPUA's special programs and services. CH2M HILL surveyed both commercial and residential customers. Ms. Rawls-Hill said for the commercial customer base they used a random sample of 200 and specifically asked for the individual who was responsible for making decisions on their utilities. The residential customers that they surveyed were 400 and they spoke with the individual answering the phone who was more than 18 years of age and familiar with the utility bill.

Ms. Rawls-Hill said that some of their findings were that there were very high marks for the courtesy, knowledge, and professionalism of FPUA employees and interactions with the field personnel were consistently rated as high quality. Ms. Rawls-Hill said they also found that customers find their bills easy to understand and generally accurate and that is really saying something because as FPUA is trying to balance giving enough information along with making information clear-cut. Lots of utilities have some difficulty on this particular aspect. She said this is a very good finding to see that FPUA bills are laid out in a way that makes sense to the customers and gives them the information they need. Ms. Rawls-Hill said something that was surprising was that the bill inserts were widely read. She said that some people have the impression that people pull those out of the envelope and throw them away, but that is not the case here. Many of the customers said they do read and rely upon the information they find in the bill insert. She said the best good news of all is that more than half of FPUA customers feel valued by the Utility.

Ms. Rawls-Hill said another side under the "not so good news" is that there is a high level of dissatisfaction with the cost of the utilities, especially the electrical. She said one thing to consider is that in research done by the National Regulatory Research Institute across the board, people always say that their utility bills are too high. The negative press feeds on itself and if people read in the paper that the amount of the bills is too high, they tend to take on that perception as their own. Ms. Rawls-Hill said FPUA is being compared to Florida Power & Light, which is a good bit larger and probably has

some economies of scale to their advantage, but the comparisons are not favorable in terms of FPUA costs.

Ms. Rawls-Hill said they also learned that the trust level of the Utility is a little bit less than half of FPUA customers and is probably related to unhappiness over the amount of the bills. Slightly less than half of FPUA customers said the Utility is willing to listen to their problems, fair and honest, and keep commitments to the community. About one third of the customers said the Utility is well managed. Ms. Rawls-Hill said they learned there was a fairly low awareness of some of the programs that could be very helpful in lowering bills, such as Project Care, Budget Billing, and the Home Energy Audit. She said on the other hand a significant number of customers are practicing energy conservation measures such as changing the type of light bulbs and some other small things they can do. Ms. Rawls-Hill said it is a question of whether they are tying their knowledge properly to programs that FPUA is offering.

Ms. Rawls-Hill said in terms of some of the other services, they looked at the awareness of the residential and commercial Internet services and there was not a lot of knowledge out there about those services. About 3/4 of the customers knew about the Manatee Observation and Education Center and about 2/3 of that group had actually visited the Center and spoke well of it. Only about 1/3 of FPUA customers visit the lobby regularly and the majority of them are there to pay bills and more than 2/3 of those are more than satisfied with the lobby customer service. Only about 1/3 of customers are using the off-site payment centers and 73% of the respondents say they have never had a bill inaccuracy, which ties into them being pleased with the billing procedures. Sixty percent of the customers said they were not satisfied with problem resolution related to FPUA bills. Mrs. Rawls-Hill said that all of this points to FPUA identifying some opportunities that can be taken advantage of. The high employee rating in the utility business is really something to be proud of. It indicates that FPUA is doing very well with the hiring, training, and retention practices. There is an opportunity to use these employees that are well thought of and communicate well with the customers as good will ambassadors in the community, making sure that their faces are at community meetings, continuing at the events that FPUA does, as well as having them appear as FPUA representatives and other events in the community. The other thing she mentioned is to make sure FPUA employees are empowered to resolve problems at the customer service desk because that goes a long way to increase the trust there. FPUA employees can promote other services by being at other events, by giving them briefing packets they can carry, wallet cards that talk about FPUA services, and invite people to come in and ask questions.

Ms. Rawls-Hill said that in terms of rate dissatisfaction, research shows that most customers anywhere are not happy with the amount of their utility bills so what we want to understand is where do they receive their information on rates. If the customer thinks their rates should be lower, where are they getting that information, what are they comparing it to, and on what basis have they determined these rates to be high. It may be worthwhile for FPUA to do a follow-up survey to try and learn that. Other ways to decrease the rate dissatisfaction is to promote the programs that FPUA has that can help people manage their utility usage better, such as promoting the Project Care, the

Budget Billing, etc. The survey revealed that many customers said that they were not aware of these programs, but many customers were doing conservation measures and fewer than 40% know how to monitor their household usage. At the same time they are using less water, changing to the energy-efficient light bulbs, so there is something of a disconnect there and it would be worth exploring. Ms. Rawls-Hill said that FPUA could consider a conservation rate structure where the lower consumption user actually pays a lower entry rate. This would have good-will value and may help balance the perception of high bills. FPUA could look at some comprehensive internal conservation and that would include demand and supply management, having a water system profile conducted, and energy audits for the Utility. She said there is new technology coming forward every day so FPUA would need to stay on top of that and ensure everything is being done on the Utility side.

Mr. Perona asked if when referring to rates and the customer gives their impression, does that include our power cost adjustment.

Ms. Rawls-Hill responded that they did not explore that in their survey.

Mr. Perona said when people respond to the word rate, they include everything that is part of their electric service. He said when he hears rates, he is confused somewhat because the power cost adjustments are pass throughs and those are the things that are aggravating and aggravate him because we have no control over them. Mr. Perona was wondering if we get a true sense of the fact that we have people out there that are assuming we set these rates high. He said the rates are basically no higher than anybody else's and it is the power cost adjustment that puts us over the edge. Mr. Perona said he wanted to understand how it was related to the customer so that response means the rates that we have voted into the Utility are high or the rate plus the power cost adjustment, which equals the final bill is high.

Ms. Rawls-Hill said she agrees and that would be something that could be in the follow-up survey.

Mr. Perona said he believes it is always a good idea to make that distinction and include in the education process that these are power cost adjustments. He said he knows for a fact that we make absolutely zero dollars on the power cost adjustment and it is merely a pass through. As tough as it is now, that is where we are at. Mr. Perona said once somebody is paying a utility bill, they have a feeling and they are not happy with that bill because the expenses all add up to whatever they are paying on the bottom line. He said he feels they think they can lash out now that they have a surveyor on the other end and that may not be the case, there may be a lot of disgruntled people because of the amount they have to pay and not in just in our Ft. Pierce area; it is all over the nation now. Mr. Perona asked Ms. Rawls-Hill if she believed this is reflected in the questions asked in her survey.

Ms. Rawls-Hill said it was highly likely since they have the opportunity to vent, it can intensify the impressions, but at the same time, she believes there is some other basis and truth.

Mr. Perona agreed and said that can be flipped inversely that if they are not challenged with the amounts they are paying for their electric bill, they would be happier with the utility service. Mr. Perona said that is why he wanted to look at it both ways so it does motivate the Utility to make sure we go out there and education people and try to seek other economical means to be able to provide lower electric costs to our customers.

Mrs. Cully said she was a little bit surprised with the results from the Project Care, Budget Billing, and High Energy Audits and that more people were not aware of them than she thought. Mrs. Cully said she had talked to a number of people herself who did not know what Budget Billing or Project Care was. She thought that it was just that one person, but after these survey results, it shows that FPUA might need to do a little bit more on making our customers aware of this.

Ms. Rawls-Hill said FPUA could give them information in a way that makes them retain it. They may have seen the information and did not know what it was and did not know who to ask.

Mrs. Nina Hurtubise presented the May 2009 Financial Operating Results. She said that our income before City Distribution, Capital Contributions, and Extraordinary Items is \$720,000, which is very slim for this size of an organization. The \$5 million Distribution was paid in April, 2009, and that is what hit our bottom line year-to-date. The year-to-date increase in net assets turned around from a loss and it is \$1.4 million. Regrettably, however, if we had not had the Contributed Capital we have, it would have been a \$4.4 million loss. Mrs. Hurtubise said we are not doing as well as she would like, but because of the \$5 million City Distribution that was paid in April, it hits us very hard in the month of April and the subsequent months we recover from it a little bit at a time.

Mrs. Hurtubise said we also continue to experience those decreases in all unit sales across the board. From 2008, electric is down 10%, water is down 4%, wastewater is down 8%, and natural gas is down 3%. She said that the operating revenues associated with those unit sales shows, electric is up 8% and the power cost adjustment is up \$5.5 million, so if we pull out that amount, electric would be down 5%. Water is up 2%, wastewater is up 6%, and the opposite situation with electric occurs in gas. We are showing a decrease in natural gas of 3%, however, the purchase gas adjustment, what we have collected from our customers, is actually down \$272,000. If we add that decrease back again, natural gas is up 8%.

Mrs. Hurtubise said our rolling 12-months of operating income is represented by the light blue line shown on the graph she displayed and our debt service coverage as of May 2009, is 2.45, which is well above the 1.25 we are required to maintain compliance with our bond company. She said this year, we have less revenue, Contributed Capital is down \$9 million, Grant Revenue is down \$3.5 million, and we do have an additional expense that we were not recording last year at this time so it appears that we have an

increase of \$1.7 million related to the Other Post Employment Benefit (OPEB) accrual, which is a non-cash adjustment we record each month.

Mrs. Hurtubise said that Contributed Capital is down \$9 million, about \$5.8 million year-to-date this year. The big story for the month of May was that we received a check from St. Lucie County for the Sunland Gardens MSBU in the amount of \$2.9 million and that is included in these numbers. It is also noted that the Capital Improvement Charges in 2009 are amounting to about 6% of the total Contributed Capital and it was 14% last year, clearly indicative of lack of growth.

Mr. Drummond said the earlier slide showed the increased expense of \$1.7 million for OPEB and GASB, and it is clear that we will continue to have to explain that. He said he observed the City Commission meeting last night and it was mis-communicated that it was an expense we are paying out annually for our employees who are retired. He said that is not true, but it was suggested we were paying \$2 million for our retirees' health insurance. Mr. Drummond said we have got to really explain GASB better because the information is getting out there improperly to the public.

Mayor Benton said he called Mr. Thiess this morning and asked for a complete run down on that so he could have it in writing so he could get the word out to everyone. Nobody was able to answer and he himself could not answer it.

Mr. Thiess said he is working on a memorandum that he has sent to Mrs. Hurtubise for review that explains it in as great of detail as we can. The memorandum should be ready to go out first thing in the morning. It will be sent out to the City Commission and our Board. He said it is a very difficult thing to understand. It has been going on all these years with insuring our staff and retirees and all of a sudden we have to bump our expenses up \$2.5 million. He said the \$2.5 million will be coming way down because there were some erroneous assumptions used in the actuary's analysis to come up with that number. When we get the new number, we should be down to about where the City is. Mr. Thiess said the memo tries to explain that this is not an expense; it is an accrual of a liability because of the differential in cost for the retirees versus the current employee. Our insurance premiums are supposed to be set at the beginning of the year for both employees and retirees to cover the cost of the insurance program. As long as we continue to do that on a continuous basis, we should have no significant OPEB expenses down the road, nor will the City. It is an accrual accounting that accountants dreamed up for all the agencies to do, it is not a real expense.

Mr. Drummond said he kept saying to his TV that FPUA is not paying that \$2 million but nobody could hear him.

Mr. Thiess said that he kept the memo to one page and will make it clear that it is not an actual expense and probably an expense that would not be incurred at all.

Mr. Perona said we talked about this at our last meeting and found out it is a number based on assumptions that were made by actuaries, that when these assumptions are

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corrected, this number is not big at all. Mr. Perona said that he has discerned it is just an accounting function. Mr. Perona asked if the City itself does it.

Mayor Benton said theirs was about \$200,000.

Mr. Perona said that you had better guessers than we had.

Mr. Recor said they struggled and said the City switched to Blue Cross and Blue Shield where FPUA is self-insured and that is where the difference is. He said it is a hard concept to get your arms around and explain to the elected officials who have their financial auditors standing there saying this is an expense.

Mr. Perona said it is a chance to drop kick the Utility Authority one more time. He said if it is due then it is due, but if you do not understand the issue, then you need to get the information before you start doing that type of thing. Mr. Perona said he is happy that staff is providing information and probably follow up with any government official and make sure that they do understand what the concept is. We are not sitting here with a \$2 million benefit for our retired employees.

Mr. Thiess said the memo will go out first thing in the morning.

Mrs. Cully said that she does not want to see it in the media that we are adding \$2 million to our budget. She thanked Mr. Drummond for the clarification.

This was an information only item and, no action is required.

Mrs. Hurtubise presented the Status on Electric Power Cost Adjustment (PCA) Over/Under Recovery for June, 2009. She said that we paid \$5.5 million for our power to FMPA for the month of June. We collected back from our customers about \$4.4 million, which is an under collection of \$1.1 million. We are not breaking even in collecting back our costs. In June 2009, the power cost adjustment was still at \$49 per 1,000 kWh. We did raise it in the month of July and we do expect the number to start coming down, but at this point we are under collected. The customers owe FPUA \$3.3 million in costs that we have paid out and have not yet collected and it will be many months before we get back down to zero. We do anticipate at the end of September, our best estimate is that under collection will be down to about \$1.5 million. It will take some time to recover this and we are not going to be able to get it all back in one or two months; it will take quite a few months. Mrs. Hurtubise said the reason for the difference is because we purchased many more megawatt hours than we billed. There is always a time lag and June was a very hot month, so what we purchased to cover the needs of our customers in June, we are not going to be billing until starting early July, through the month of July. It is a moving target in the subsequent month so that is in large part the difference of why we are so far under collected. The power cost included in a 1,000 kWh bill is about \$98.52. What we paid to FMPA was \$104.55, so the difference is not that much, but the real difference is in the mega watt hours we purchased in June were not billed as of June 30th. Another huge point is as of the June

rates, the \$98.52, is purely pass-through cost of power. Only \$46 of the \$145 bill that a 1,000 kWh customer would receive relates to FPUA services, such as the linemen and the customer service representatives. A very small portion of that bill relates to the controllable costs. The power cost that we pay to FMPA, in large part, is uncontrollable.

Mr. Thiess said he would like to interject a little optimism and ray of hope. He said if we plotted the power cost adjustment under/over collection at \$3.4 million negative that should be the bottom of the curve. There will be a couple of things that will be pushing it in the other direction. We will be billing more hours as Mrs. Hurtubise said and when we will get out into September it starts to hit that cyclic thing with 60-day cash requirement with FMPA working back in our favor. This will be giving us cash back on that 60-day cash requirement. For the longer term in our favor, is the hedges coming off in October and that will be our way out of the hole. The 60-day cash thing is cyclic, it goes up and we get hit hard in June and we get it back in September/ November. Long term and how we are going to turn it around for an over collection is when the hedges come off the FMPA fuel contracts in October. We cannot project when we are going to have enough over collection to drop the power cost adjustment, but we are very confident in holding our position now and not raising it, just because we are \$3.4 million in the hole. We need to hold that position and when the hedges come off in October, we will be moving at a good pace in that direction to turn that around.

Mrs. Cully said that she understood that not all the hedges come off at the same time; there will be a few others out there that we will have to deal with.

Mr. Thiess said that FMPA is very heavily hedged through October to almost 100%. In the coming year, they are still hedged out through FY 2010, but at a much lower level and some small amount of hedges still go into FY 2011 and a little bit into FY 2012, but they are very minor amounts. He said this fiscal year is where we have taken the big hit on the hedges and next year is substantially less.

This is an information only item and no action is required.

Mrs. Nina Hurtubise presented the Purchase Gas Adjustment (PGA) for Firm Gas Service for the period from August 1, 2009, through August 31, 2009. She said staff is recommending a decrease in the PGA from \$0.35/CCF to \$0.30/CCF. The cost has come down and we are going to pass that along to the customer. Mrs. Hurtubise said we are actually going to consciously begin to under collect. Of the \$0.72 cost, \$0.33 of that is built into the rate, so that would mean we should be carrying a \$0.39 PGA, but we have an over collection and we are going to give that back. The \$0.09/CCF is going to be given back to the customer starting in August.

Mr. Thiess said what that means is at some point when we give back the amount of over collection to the customers, we are going to have to level that PGA back up to where it needs to be to stay at a sustainable level. It would come back up in the \$0.35 or a little higher to sustain that level so we do not continue to give back our entire over

collection and go negative. Down the road a few months we might have to do a little adjustment upward to maintain a sustainable PGA.

Mrs. Cully said this is good news for our customers that we are going to be able to give some back. She said she noticed that we are coming down about \$0.05 every month because of the decrease, but according to the chart, it looks like we are going up April, May, and June.

Mrs. Hurtubise said that is because we have the over collection, which is an amount that is adequate so that we are able to sustain. She said if there was no over collection or under collection, the PGA should be \$0.39, but we are making it \$0.30 because we do have an over collection that we are consciously giving back. The month of June, we are still over collected and we are lowering it slowly to make sure that we do not suddenly have a spike and then get caught short.

A motion was made by Mr. Drummond, seconded by Mr. Perona, and unanimously carried to approve the Purchased Gas Adjustment (PGA) for Firm Gas Service for the period from August 1, 2009 through August 31, 2009 and until further notice at the rate of +\$0.300/CCF.

Attorney Koblegard said he discussed with this Board back in September 2008, the issue with Harbour Isle as far as the Capital Improvement Charges (CIC). He said he wrote them a letter at the time they owed us for CICs mainly for the irrigation system that they put in off their potable water side and we were not aware of. Mr. Koblegard said we have been going back and forth trying to resolve it. He said they were billed in July, 2005 initially, and he got concerned that there might be a question of Statute of Limitations so he filed a law suit against them. He said they are still in negotiations and he filed the suit just so we would not miss something. The amount of the suit is about \$409,000 and they are still trying to come to a resolution about it. Mr. Koblegard said he wanted to make the Board aware of it in case they see it in the paper.

Mayor Benton said that one of the speakers at the FMEA/FMPA conference he attended last week spoke about the times we are in and the concerns that local governments might consider selling their Utility. He said that they never looked in the mirror. He asked them after the presentation why there was no discussion about the mis-investments and poor fuel hedging practices and the speaker said that he was told not to talk about that. Mayor Benton said he was surprised that they are not willing to explain what might get the local governments to start consider looking in other directions because if they were to continue with these poor investment decisions that would probably be something that would lead us there more quickly than anything else. He hopes they start speaking the truth the whole way around because it seems that they were pointing fingers at local government and not at themselves in the big picture. Mayor Benton said that every time we have had recessions there has been discussion about selling utilities for what is it worth. Our Utility is set up by Charter and it cannot be done without a referendum; it just would not make sense. He said a lot of times people

get this knee jerk reaction, but it is easy when your rates go up when they really do not have to unless there is mismanagement. Mayor Benton said he knows that we are on track and hopefully with new leadership at FMPA they will get this under control real quick and be honest with us.

Mrs. Cully said she was at the same presentation and she believes that the management at FMPA has heard from not only this utility in the past few months, but also many of the other cities who have complained. She said she believes they have heard it very clearly and they have made every effort to assure us they are working on that diligently and they understand and know what is going on. They are going to try and take care of it in the future.

Mayor Benton said that last Tuesday at 2:15 he saw the last walls of the power plant come down. The people at city hall are thrilled and some of the offices and people down town said they can see the river again after many years.

Mr. Thiess said it has been about 98 years since the original unit came on line, not that structure, but the original generating unit was 1911.

Mrs. Cully asked what the City was going to do with the property.

Mayor Benton said right now it looks like it is going to be open to the public until they get through the down turn in the economy. He said it is going take some land use changes or the ability to use that land for something other than a power plant through the Governor and the Board of Trustees. It will be a timely process, but we will get something that the public wants in there. He hopes to see a hotel on that property, but it could be many years away.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN