

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, August 18, 2009, 4:00 P.M., CITY COMMISSION CHAMBERS

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

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

The meeting was called to order by Chairman Cully.

The Invocation was given by Rabbi Arthur Rutberg of Temple Beth El Israel.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Mrs. Cully said Attorney Koblegard is not present because of medical reasons.

Mr. Ed Cox, Human Resources Manager, presented to the Board the Certificate of Appreciation from the Workforce Summer Youth Employment Program. Mr. Cox said it was his privilege to present to the Board the commendation from the Workforce Development Board. He said this is one of the many good things the Fort Pierce Utilities Authority does for this community. We present position opportunities for young people to learn the world of work. In cooperation with the Workforce Development Board, we provided four opportunities, one at the Energy Services Center, one at the Manatee Center, one in our Communications Department, and one in our Information Technology Department. The gentleman at the Energy Service Center has already found other employment, which is the purpose of the program so he could not be with us today, as is the one young lady from the Manatee Center. Mr. Cox introduced Elizabeth Ewen and Latrell Williams both of Fort Pierce.

Mrs. Cully asked if this is an ongoing program every year or how long has it been in effect.

Mr. Cox said these funds were provided by the American Reinvestment and Recovery Act and it is a one-time only source of funds through the Workforce Development Board.

A motion was made by Mr. Summerhays, seconded by Mr. Drummond, and unanimously carried to approve the Minutes of the Regular Meeting of August 4, 2009.

Mrs. Nina Hurtubise, Finance Director, presented the Purchase Gas Adjustment (PGA) for Firm Gas Service for the period from September 1, 2009 through September 30, 2009. She said there is another drop in the PGA. We are proposing to drop the PGA from \$0.30/CCF to \$0.25/CCF and we are consciously under collecting on our PGA. The current cost we are paying is \$0.73/CCF and part of that is included in the rate (\$0.33), so the portion that should be charged to the PGA is about \$0.40/CCF. We are charging \$0.25/CCF and we are giving back to the customers some of the over collection that we have accumulated. The average 13 CCF customer will decrease to a bill of \$30.89, down from \$31.54. The rate per CCF will decrease from \$1.50 to \$1.45.

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 September 1, 2009 through September 30, 2009, and until further notice at the rate of +\$0.25/CCF.

Mrs. Hurtubise presented the status report on the Electric Power Cost Adjustment (PCA) Over/Under Recovery for July 2009. She said we have turned a corner in the month of July and for a couple of different reasons. What we are paying in the cost column is about \$5 million to FMPA for the month of July power purchases. We did collect back from the customer about \$5.6 million and had an over collection of \$681,000 for the month of July. We have come down from the \$3.5 million under collection that we had at the end of June down to about a \$2.8 million under collection from the customer as of the end of July. The rate we were charged by FMPA dropped significantly down to an average of \$90.75. That includes our nuclear power as well our all requirements power. We had an increase in consumption in the month of July for obvious reasons, such as it being very hot. Between those two items, we were able to recover a little bit back in the month of July in the amount of \$681,000, so we are headed back in the right direction. This is approximately three times as much as what we were projecting to over recover in this month.

Mr. Summerhays said it is because they dropped their rate and it does pay to complain at conventions.

Mrs. Hurtubise said that this is an information only item and no action is required by the Board.

Mr. Perona said that we watch this every year and it seems that we go into the negative in the early part from January through May and historically because of the sales in summer time, we wiggle out before the end of the year. He said last month it was a little unnerving to find such a large hit for June and we can expect this to happen for the next few months. The sales are going to be up high enough that we can start taking that under collection and moving it towards the positive number over the next two or three months.

Mrs. Hurtubise said that is what we are counting on.

Mr. Perona said historically that is how it has always been.

Mrs. Hurtubise said that is why she is showing two years worth of data so it can be seen that it is very reciprocal. The other element that causes it to go down at this time of the year is that the 60 days of operating cash is less, the rate goes down, and therefore it all falls into place.

Mrs. Hurtubise presented the June 2009 Quarterly Financial Operating Results. She said our year to date increase in net assets is \$2.5 million. If you take into consideration that our Contributed Capital was almost \$6 million, what we would have had if we did not book Contributed Capital, as we are supposed to, we would have had about a \$3.8 million loss. This was mentioned last month that it was about a \$4.4 million loss year to date in May so we are making it up very slowly as we do through the summer months. We are continuing to experience decreases in consumption across the board. Electric, although it was slightly up for the nine months, it is down 11% from 2008. Water decreased over the years and is down 5% from 2008, wastewater is down 8%, and natural gas is down 4% in 2009.

Mrs. Hurtubise said the Operating Revenues are overall up 4.4%, but when we start breaking it down into each of the different systems, we look at electric and it is up 6%. The only problem is that the PCA is \$5.8 million and when you take that out, the revenue is down 7%. The PCA is a direct pass through; we do not make any profit on it. If the expenses are high, the revenue is high. Water is up 1%, wastewater is up 4%, and natural gas is up 7%. Natural gas has a similar, but opposite situation as electric in that it looks like natural gas is down 7%. However, the PGA is down \$400,000 and as a result, natural gas is really up 7%. Mrs. Hurtubise reiterated that the Operating Revenue companywide is overall up 4.4%. She said that for the 12 months ended of the respective months, our current Debt Service Coverage is an extremely healthy 2.9. The chart as shown on the screen is a little bit different than what has been seen in the last months. We did restate our Debt Service Coverage to exclude the non-cash OPEB expense. We were taking that non-cash expense out of the amount available to pay debt service, but that is a non-cash item and we recognized our error and have restated September through March and now presenting June 2009. You can see from this perspective we look financially healthy.

Mrs. Hurtubise said the change in Net Assets is \$17.3 million less than it was last year. This is because our Contributed Capital is down almost \$12 million, our Grant Revenue is down \$5 million, and although it is a non-cash expense, it is an expense, the OPEB other than pensions, that additional expense is \$1.9 million. In the Contributed Capital, the Capital Improvement Charges (CIC), as well as the non-cash contributed capital show that growth has slowed to a crawl. The CICs are \$388,000 and that is about 7% of the total Contributed Capital. Last year it was more like 13%, so there are very few CICs being collected at this point. Mrs. Hurtubise said that this is information only and there is no action required from the Board.

Mr. Summerhays said he noticed that our cash and pooled cash investments were down about \$4.7 million. If we take the amount accounts payable is down and the

amount we are financing under collection from the purchase power adjustment, it just about equals the amount we are down.

Mrs. Hurtubise said that we are at about 24 days operating cash, below 30 days at this point, but expect to bring it up before the end of the year.

Mr. Summerhays said that he certainly hopes so.

Mr. Perona said he wanted to make a clarification about the transfer to the City. He said that on slide one showing the Operating Revenue and Mrs. Hurtubise was talking about how the PCA affected the difference of \$58 million and it was included in that.

Mrs. Hurtubise responded yes.

Mr. Perona said that when we talk about the transfer of 6%, Operating Revenues does not include the PCA.

Mrs. Hurtubise said we do not pay City Distribution on the power cost adjustment.

Mr. Perona said he wanted to make sure of that. He said he likes to see that number without the PCA because that is a real number to him, but when it is added back in, he starts thinking about the transfer.

Mrs. Hurtubise said we do not pay Distribution on Capital Contributions, although that has become less of an issue. We also do not pay Distribution on Grant Revenue, which in some years is very high.

Mr. Perona said that the Grant Revenue is part of the Capital not necessarily something that we earn.

Mr. Richard Stenberg, Water Resources Superintendant, presented the Award of Bid for Pebble Quicklime. He said he is requesting approval of Bid 5936 for the annual supply and purchase of Pebble Quicklime for a not-to-exceed amount of \$590,100.00. Mr. Stenberg said Pebble Quicklime is used in the softening process at the lime water plant. It is a chemical precipitation that will remove the mineral hardness that is in the groundwater and is a necessary item in order to do that. He said this award is the lowest and best bid that was received. The second lowest bidder was about \$10 higher and the third lowest bidder was about \$22 higher. Unfortunately, there has been an increase of approximately 16% from previous years of purchase. Mr. Stenberg said three or four years ago we could have said that it was energy related costs and that is what the industry will tell you today. However, if we go back and look at what is going on in the business, the biggest use of lime is the steel making industry and construction is another big industry. He said there should be a flood of this stuff on the market; however, when we look across the board, all of the major suppliers have increased their prices. In the beginning of January 2009, there was a \$30 increase per ton, which is masked in this bid because our bid is up about \$32 from last year. The rest of the suppliers must have followed along because they are all within the same numbers. Mr.

Stenberg said he has looked at recent bids that have been let in other towns and the prices are up and this bid falls into the averages he has seen.

Mr. Perona said that he asks the same question every year since he got on this Board seven years ago, this was a very low number and it is growing every year. He asked how Pittsburg, Pennsylvania delivers it cheaper than Lakeland, Florida. They must have some place around here that delivers.

Mr. Stenberg said it all comes in by trains to the center of the state and then it is trucked around Florida.

Mr. Perona said he remembers talking with Mr. Stenberg last year about other technologies that may be coming in because this \$600,000 is going to keep going up. He said they talked about other technologies that are out there that we might be able to look into that will eventually replace this type of treatment to the water plant. Mr. Perona asked if there had been any advancement over the last year.

Mr. Stenberg said the cost would not be much different because there would be electric energy involved. He said they have lowered the amount of Pebble Quicklime they have been using annually. They will probably spend approximately \$80,000 less than what they are asking approval for because with the RO plant, they have been using less water from the shallow wells. Mr. Stenberg said he does not see any technology right now that will replace it without the expenditure of a lot of capital money.

Mrs. Cully said she had just recently read that the stimulus money may give some kind of growth to the steel industry with building.

Mr. Stenberg said the last quarter of 2008 there was a tremendous decrease in the use of steel and it has not increased much since then. He said that when Mr. Perona first came on the Board, we were paying about \$109 a ton in 2002. Mr. Stenberg said he does not know if the producers are getting their money by making up for losses on the steel side by increasing their prices to those that have to have the product.

Mayor Benton said it was just another commodity and they probably had a hedge fund on it. He said about six years ago they changed the law that said you could not invest in commodities unless you were a user of the commodities. He believed that was changed by President Clinton and now we are paying dearly for it.

Mr. Summerhays said that they have changed it back as far as he understands.

Mayor Benton said that when we see it changed, we will see relief because the hedge fund should not be buying these things and holding us up, but that is what is happening with Natural Gas and other commodities out there.

Mr. Stenberg said the reason that they have asked for a little more than they believe they will spend is because if there is a problem on the RO side, they will have to increase the usage of the lime plant and they have to have the money there in case we need to buy the chemicals.

A motion was made by Mr. Summerhays, seconded by Mr. Perona, and unanimously carried to approve Bid 5936: for the lowest and best responsive responsible bid from Carmeuse Lime & Stone, Inc., Pittsburg, Pennsylvania, for approximately 2,500 tons of Pebble Quicklime in the amount of \$236.04 per ton, for a total not to exceed \$590,100.00, annually.

Mr. Bill Abramowicz, Customer Service Manager, presented the revised Resolution No. U.A. 2009-13. He said that there are some minor changes to the general rules and regulations governing the provision of utility services. Mr. Abramowicz said that two meetings ago he came before the Board with Capital Improvement Charges (CIC) resolution changes and they wanted the general rules and regulations to mirror the CIC resolution when it came to the voluntary disconnections. Previously if someone requested that a meter be removed, inactive account charges would continue to accumulate for a period of sixty months. What we have done is changed it to when they equal capital improvement charges. Also, since they do not have the ability to not pay for the services any more, even if the services are off, they pay the monthly inactive account charges. We removed the definition of seasonal residents since that will no longer apply.

A motion was made by Mr. Summerhays, seconded by Mr. Perona, and unanimously carried to approve Resolution No. U.A. 2009-13, Revision of General Rules and Regulations Governing the Provision of Utility Service.

Mr. Thiess thanked the staff for their work on the budget. Nina Hurtubise and her crew did an exceptional job putting the budget together and all of the Department Heads did a good job meeting the goals that we set. The goals were tight goals because there was a significant cut over what we have done in the past so we had to cut some things that hurt, like renewals and replacements. We got the budget down to where we can get through FY 2010 without rate increase. We took it to the Commission last night and with the no-action by the Commission, we are in the 30-day mode, where if it does not come back at the September 8th meeting, the budget will be approved by default in 30 days. Again thanks to the staff for an excellent job and hopefully our budget will be in place in 30 days.

Mr. Perona said he watched the budget presentation last night and that Mr. Thiess and staff did an excellent job. He was thrown off a little bit by the questions that some of the City Commissioners asked and said some of them were irrelevant. Mr. Perona said he was wondering if perhaps we could get that information to them a little bit earlier and they were able to digest it, we would have gotten through that last night and not had the 30-day wait.

Mayor Benton said that the City Commission was asked to join the FPUA Board workshops. Invitations went out the last two or three years and the attendance was minimal.

Mr. Perona asked how long the City Commissioners had the information because sometimes they would get it two days before and cannot get it all in.

Mr. Thiess said the workshop for the budget was on June 12th and all the Commissioners were invited. At the workshop, there were budget materials available for the asking and only one Commissioner attended the workshop this year. In addition to putting the agenda package out which includes the budget books, we realized that it would not get to the Commissioners until the Friday before the Commission meeting on Monday. We had hand-delivered advanced copies of the budget book on August 7th to each of the Commissioners, a full 10 days before last night's meeting. That gives the Commissioners time to get into it, look at it, and 10 days to evaluate it. In the last 7 days, Mr. Thiess said he tried to schedule individual meetings with each of the Commissioners to sit down and talk about it. He was able to schedule two of those meetings and of course the Mayor is plugged into the budget from day one from sitting on this Board. Mr. Thiess was able to meet with two Commissioners and the other two were not able to meet with him.

Mr. Perona said he just wanted to make sure it was not a failure on our part. He said the fact of the matter, this year's budget was probably in its simplest form, well put together and well designed. One of the Commissioners last night commented on his ease of reading and getting through it. Mr. Perona said he wanted to be sure it was not anything from our staff that caused the issue last night.

Mayor Benton said his frustrations come from issues like last night. They all received a letter from one of the elected officials in Lake Worth where they are concerned about FMPA getting into the nuclear power business. Mayor Benton said it appeared that the Commissioners did not have a clue about the power business. To permit a plant like that in the power business and dealing with the private power company like FPL, they are looking at 10 to 20 years down the road between permitting and everything else. They are not looking at tomorrow morning and yes, the costs today are bothering us, but these are costs and we have to provide power 20 years from now, and that is what they are looking at. When we get a letter and as he told Mr. Thiess, this person is probably an activist against nuclear power. Mayor Benton said when he was in Tallahassee last week in front of the Governor and the Cabinet, they took some time to approve Progress Energies' permit to build the first nuclear power plant in Florida in a long time. He said we are on the right track. Not only does the public need to get educated more about power and where we need to go, nothing was talked about last night about Cap and Trade and the possibility of what that could mean to us. We do not know all the facts and are still waiting to get something from APPA that we can put on channel 27 to ensure the public what this could mean. Mayor Benton said that we need to get everybody more educated and having a liaison from the City Commission attending, if not every FMPA meeting, but part of them so they can get together with the other municipalities that have concerns about what FMPA has done and get the word to the Board. He said he knows this staff and Mrs. Cully have been to the meetings, but it needs to be heard from the City also. It is frustrating that there is a lot of education when it comes from the power industry and the utilities industry and that is where we need to get some more education.

Mr. Perona said that they got off track a little bit talking about commercial deposits and things like that, it absolutely had nothing to do with the budget. It caused a sense of confusion and he felt like the train left the station and nobody got on. That is unfortunate because of all the efforts that have gone out. He said he is happy to hear that staff was there and at least made it available to the Commissioners to do so. There will have to be a little bit stronger buy-in by Commissioners with the Utility Authority. We each have the same information so that we can make these decisions quick and move them on forward because the more we stall on these things the more it costs the rate payer when we are all done. He said that is a frustration that is shared by this Board.

Mayor Benton said that is like the stimulus projects that were mentioned last night, FPUA will not be able to do some of these projects if the funding does not come down from Tallahassee or Washington to cover the cost of utilities. When we dig up a road or replace a bridge, who is going to foot that bill? We cannot pass that on to the consumer; whether it is a taxpayer or consumer, it is the same people.

Mr. Drummond said he agrees with Mayor Benton and that was one of his concerns listening last night. It seemed as though we had not done our part in terms of preparing for our contribution for that, but those stimulus dollars were not stimulus other than to ask us to find dollars from our rate payers to participate on what is less than a quarter of a mile. He said he really has trouble with that concept.

Mr. Summerhays said that is a lot of money and the State gets really interesting things with it.

Mayor Benton said like the bridge on Juanita, what benefit is that to the City of Fort Pierce and our rate payers to upgrade the utilities there?

Mrs. Cully said she read in the paper that our FPUA employees had donated school supplies to two schools, Lincoln Park and Forest Grove Middle School. She said she wanted to thank them for all their effort in doing so.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN