

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, September 15, 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, Mayor Robert J. Benton III, and Ms. Anne Satterlee, Acting City Manager.

Others present: Director of Utilities, FPUA Attorney, Controller, Director of Electric and Gas Systems, Director of Water and Wastewater Systems, Manager of Risk Management, and Director of Procurement.

The meeting was called to order by Chairman Cully.

Invocation by Father Bernard Sheffield of St. Julian of Norwich Old Catholic Church .

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

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

1. Approval of the Minutes of the Regular Meeting of August 18, 2009.
2. Approval of Barter Agreement for advertising with AT&T Advertising and Publishing.
3. Approval to accept renewal quote from National Union Fire Insurance Company of Pittsburgh, PA through Brown & Brown, Inc., for public officials and employment practices liability insurance effective October 23, 2009, and approve funding of \$29,010.00.
4. Approval of the budget transfer to increase the budget by \$113,000 for South A1A, Phase II and III project for the adjustment of water facilities associated with the FDOT roadway construction.
5. Approval of the Interlocal Agreement between Fort Pierce Utilities Authority, City of Fort Pierce (City), and Fort Pierce Redevelopment Agency (FPRA) for transfer of the H.D. King Plant property from the City to the FPRA.

The following expressions of appreciations were noted:

A note was received from The Mustard Seed thanking FPUA customers for the amount of \$299.82 and Electric T & D in the amount of \$50.00 contributed through Project Care for July.

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A note was received from The Mustard Seed thanking FPUA customers for the amount of \$297.30 contributed through Project Care for August.

A thank you letter was received from the Pantry Team at Parkview Baptist Church for 218.5 pounds of food donations from FPUA employees.

Mrs. Cully said she wanted to thank our customers for contributing to Project Care during the months of July and August and thank our employees for their donations.

Ms. Nancy Dallaire, Risk Manager, presented the renewal quote of \$675,403.00 from Florida Municipal Insurance Trust through Florida League of Cities for general liability, automobile liability, property, and Workers' Compensation insurance effective October 1, 2009, which is also known as the Package Policy. She said the renewal period is from October 1, 2009 to October 1, 2010. Ms. Dallaire said that when the Florida Municipal Trust provided the renewal quote, they also notified us that there would be a return premium for the members that are in good standing who had coverage in FY 2008. FPUA's share will be \$103,982 and we should receive a check by the end of November. One of the benefits of belonging to the Florida Municipal Insurance Trust is that they pass along the savings to their customers when they have a good year. Ms. Dallaire presented a chart that shows the insurance coverage in the Package Policy for the last ten years, from FY 2001 to FY 2010. At the top of the chart is Workers' Compensation, then property insurance, general liability, and auto liability. There was a slight increase in the overall premium of about \$17,000. She said all the lines of coverage have lower premiums in FY 2010 and FY 2009 except for Workers' Compensation. General liability and automobile liability have slight decreases from FY 2009 to FY 2010. Workers' Compensation is the reason for the increase in our premium from FY 2009 to FY 2010. It is increasing by \$54,000 due to several large injury claims in FY 2006 and FY 2008, but we do expect the Workers' Comp to decrease next year when the older FY 2006 claims fall out of the calculation.

The chart of property insurance premiums shows a peak in FY 2007 due to the high cost of insurance that resulted from the hurricanes. There were eight major hurricanes in Florida in 2004 and 2005. Since then the decrease in FY 2010 is because of the decommissioning of the King Power Plant that resulted in the decrease of the property insurance values, and there was a decrease in the property insurance rates.

The chart of values and rates of the last five years shows a decline in values from FY 2006 to FY 2008 because of the decommissioning of the King Power Plant. It increased from FY 2009 to FY 2010 by about 3% from adding \$2.5 million in insured value due to the Hartman Substation upgrades that occurred after the King Power Plant closed. The property insurance rates went way up in FY 2007 and then dropped down from FY 2008 to FY 2010. The rate decreased enough to offset the \$2.5 million increase in the values. In other words, instead of having an increase in insurance for an increase in value, we have a decrease of \$27,000 in premium. Ms. Dallaire said that Siver Insurance Consultants have reviewed the renewal quote and recommend that FPUA continue the Package Policy. She said that we have been very satisfied with the service from Florida Municipal Insurance Trust and agree with Siver's recommendation.

A motion was made by Mr. Summerhays, seconded by Mr. Perona, and unanimously carried to accept the renewal quote from Florida Municipal Insurance Trust through Florida League of Cities for general liability, automobile liability, property, and Workers' Compensation insurance effective October 1, 2009 and approve funding of \$675,403.00.

Mr. Tom Richards, Director of Electric & Gas Systems explained the Gas Supply Acquisition Project #2 Refunds. He said that there are two refunds that stem from the same source, one for Gas Systems and one for Electric Systems. Both of those systems are participants in the Gas Supply Acquisition Project #2 at Florida Gas Utility (FGU) and the Electric Systems participated through the All Requirements Project at FMPA, which is sort of an indirect participation. The Gas Systems several years ago signed contracts and projects with FGU for this project. We did not start to receive gas in the gas system until this last winter for the project because we had planned to start off with the other Gas Supply Acquisition Project #1, which terminated in November. We had another 16 or 17 years of gas to look forward to from this project until the financial turmoil that hit the world, including the counterparty to this Agreement, a year ago. The Swiss Bank was the supplier of gas and also the financial guarantees for this project. They determined quite soon after all this turmoil hit that they did not want to be in the gas business any more. Some of the financial arrangements they had were really good from our view point, but were not so good from their view point. They approached FGU late last year and asked if they could restructure the deal. Then in more discussions with them in the past couple of months decided they really wanted to get out from under it if they could, basically buy their way out. It was a good negotiation, enough to compliment the FGU staff with a great job and really working with UBS to get the best deal they could for us. That included UBS paying off all the outstanding bonds. This was a pre-purchased gas deal and in order to execute the deal, UBS agreed to deliver gas to the FGU members in exchange for an upfront payment. In order to make that upfront payment, FGU bought about \$800 million in tax-free bonds. Those bonds are outstanding and UBS paid off those bonds and paid off all the costs involved with the number of financial swaps that were involved that allowed the price of gas to float with the market. They made the termination payments to FGU to pass along to the project members.

What we have here is the termination payments that come back to us. The Gas Systems' money flowed directly to us from Florida Gas Utility and the Electric Systems' money was held very briefly at FMPA until the Executive Committee decided last month to distribute it to the members on a pro rata basis. Those come back to us and are funds that should flow directly to the customers under the purchase gas and power cost adjustments. We have accounted for them in that way, putting the balance of them in those accounts unless you determine that you want to do something different with them. Those will go to reduce the future cost of electric and gas to customers. This would be fairly substantial for the Gas System and we will tend to give that money back over a period time. We have already set the purchase gas adjustment below cost right now. The Electric System is in a deficient position with the power cost adjustment and this will serve to shorten up the time when we get the under collection back to zero. This is an information only item and no action is required by the Board.

Mr. Perona said that he knows the gas has been going down and we are in an over-recover situation now, but he is interested in developing some type of a rate stabilization fund for gas as well as electric. He said that \$127,000 for the gas PCA may be enough to really start looking to handle those peaks every once in a while. When we have to raise the PGA, it is as painful as raising the PCA. If we can at least start or think about a procedure as far as stabilizing the gas rate. That would be something he would like to see this utility do. Mr. Perona said he has not thought that much about it other than the fact that something like that needs to happen. He asked if it was a function of staff to come up with a recommendation on that.

Mr. Thiess said that right now we have a significant over collection on the PGA and we do not intend to give all that back. We would like to balance it out to where our PGA is set to zero net, which is the cost going out equals the cost coming in. We want to do that before we get to zero in this account so we could set that figure for a rate stabilization fund or we could set it at \$150,000. He said we intend to do that to get our PGA at net zero with a balance in there to use for rate stabilization. We just have not quite determined what the number is going to be and we have a little time to think about it.

Mr. Richards said there is a formula in the rate structure that describes how the purchase gas adjustment is to be done. We can take a look and change that formula or some of the assumptions that go into it. We will have to look at that process. Mr. Richards said he agrees with Mr. Perona that it is an excellent opportunity to set up a rate stabilization fund for the gas system.

Mr. Perona said he is speaking for himself and said if we could start setting these things up and at least start with the gas and have that in our banks to handle some of those peaks, especially now that we know that fuel is going to be volatile for who knows when. He said he would like to have that for this utility in the basket in case something happens.

Mrs. Cully asked each of the Board members their thoughts about this rate stabilization.

Mr. Drummond said he is not opposed and that he would like to see what staff would recommend and how much more time it will take before we get to a point that we are comfortable. He said that we are under collecting at this point.

Mr. Summerhays said he thinks it is a great idea and we need reserves. The under collection we have in the electric side shows that clearly.

Mrs. Cully said she agrees and said the sooner that we can get started the better.

Mayor Benton said that he is all for it.

Mr. Richards said he will have his staff work on some proposals and bring them back to the Board to look at.

Mr. Perona said the \$127,000 to the gas is probably a bigger amount than the \$667,000 that goes to the electric. That is probably just a drop in the bucket to electric and we would not even know it was there. With the \$127,000, we have a chance to move ahead and get something in place.

Mr. John Tompeck, Gas Operations Superintendent, said that Staff is requesting approval for a blanket purchase order to Florida Gas Utility for natural gas purchases for FY 2010 in the amount of \$2,150,000.00. He said the amount is based on the anticipated expenditure, which is included in our FY 2010 budget. The purpose of the blanket purchase order is to inform the Board of the yearly total and to streamline the paperwork involved in processing the monthly payments. The amount is slightly less than the amended FY 2009 budget primarily due to price softening in the gas market.

A motion was made by Mayor Benton, seconded by Mr. Summerhays, and unanimously carried to approve the blanket purchase order to Florida Gas Utility for natural gas purchases in the amount of \$2,150,000.00 for FY 2010.

Mr. William Baldwin, Supervising Electrical Engineer, said that staff is requesting approval for two blanket purchase orders for next year's wholesale purchase power for FY 2010. This amount is based on the Florida Municipal Power Agency load and rate forecast for Fort Pierce. The combined total for the two purchase orders is \$52,587,699 and is a pass-through to our customers.

A motion was made by Mr. Perona, seconded by Mr. Summerhays, and unanimously carried to approve two blanket purchase orders to the Florida Municipal Power Agency for a total of \$52,587,699.00 for FY 2010.

Ms. Barbara Mika, Controller, presented the rate comparisons for the month of July, 2009. She said these are the July residential electric rates as compiled by the Florida Municipal Electric Association (FMEA) and the comparison of the residential electric, water, and wastewater rates as compiled by staff for Fort Pierce, Port St. Lucie, St. Lucie County Utilities, and Vero Beach. Ms. Mika displayed a graph showing the FMEA rates for the State of Florida for July's usage of 1,000 kWh. She said FPUA's relative position was 10th highest in June and is the 6th highest in July compared to the other municipalities. The 2,500 kWh comparison also reflects a decline in our ranking from 8th highest in June to 4th highest in July. July 1st we had an increase in Power Cost Adjustment (PCA), which contributes to this decline in ranking. Additionally, since June, she said there was a notable swing in the rates from the other utilities. There were eight utilities that had increases, Quincy had an increase of \$24.10 in their rate, Chattahoochee had an increase of \$16.52 on top of a June increase that they had of \$10.39. There were seven utilities that had decreases, Green Cove Springs had a decline of \$13.30 in their rate and Starke had a decline of \$14.64 for the month of July. Ms. Mika said as for the local utility comparison, the only change that occurred since June, was that FPUA at our PCA increase from \$49 to \$54. This item is for information only and no action is required by the Board.

Ms. Barbara Mika, Controller, presented the status report on the Electric Power Cost Adjustment (PCA) Over/Under Recovery for August 2009. She said this is the preliminary August comparison between the cost of our purchase power and the cost that was recovered from our customers through billings. Ms. Mika said that our electric consumption statistics for October 2008 through June 2009 have been restated. The previous calculations of our statistics had included a few rates that were for demand only and they were included in our tabulation of the kWh consumed and should not have been. We have restated our figures for this FY through June, resulting in slightly greater under recovery for the nine months to date. She said in August we recovered almost \$1 million bringing the under recovery now with the restated statistics to \$2.3 million. The July 1st increase in the PCA, combined with FMPPA's lower July rate, helped this recovery a little bit. The GSAP #2 credit for the \$667,000 is not included in these calculations. This is item is for information only and no action is required by the Board.

Ms. Barbara Mika, Controller, presented the July 2009 Financial Operating Results. She said the year to date increase in our Net Assets was \$2.86 million for the ten months to date. The year to date Contributed Capital of \$6.56 million is included in that Net Asset increase. Without those Contributed Capital dollars, we would have a decrease of \$3.7 million in our net assets to date. Whatever Contributed Capital we have is helping us right now. The Units Billed for the ten months to date are down across all the systems, however the month of July did show increases over the same month last year. The Unit Sales shows the electric is down 10%, water 2.7%, wastewater 11.4%, and gas 3%. The Combined Operating Revenues are up overall \$66.5 million, with electric on its own is up 6% and that includes \$5.5 million increase in PCA over last year. Excluding that PCA, the Operating Revenues for electric would be down 3.6%, but including it, we are up 6%. Water and Wastewater have moderate increases and Gas Operating Revenues, including the PGA are down 9% from last year. Operating Income and Debt Service have been restated to add back the OPEB expense and it shows an increase in the Debt Service Ratio from 2.90 in June to 2.98 in July. Fiscal Year-to-Date variance is from 2008 and 2009 and shows a reduction in the Changed Net Assets of \$17.7 million. The major components of that change are a decrease in the revenue received from Capital Contributions of \$11.3 million and Grant Revenue of \$5 million that we had last year that we are not experiencing this year. The additional expense not captured last year in 2008 for the OPEB, the ten months to date now adds to \$2.2 million that we have booked for the ten months. There was a decrease in the Contributed Capital by component; Capital Improvement Charges are 6% of the total where as last year it was 13%. This is item is for information only and no action is required by the Board.

Mr. Summerhays said that it is clear that once again the double edged sword of conservation and lost accounts is reducing gross revenue, which creates a problem in a company that is so heavily oriented towards fixed costs as we are.

Mayor Benton said that this is the week for Candidates to file for the two City Commission seats that are up this year. He requested Mr. Thiess to get in touch with the Candidates that do run and sit down with them give them an overall of Fort Pierce Utilities so that if they have any questions, he can answer them. Mayor Benton said he thinks it is really important that Candidates know the facts. He said that at every City Commission meeting, especially when FPUA comes up, it is implied that we can change if the City Commission was sitting here overlooking the FPUA; that they could change the rates and that is something that we cannot do. He said we do not like the price of gasoline, but we cannot take over the gas stations and regulate the price, which is the same thing with electric. Mayor Benton said he has found in the past, as a candidate, the City Manager and the Utility Director can answer a lot of questions so the Candidates have the facts.

Mr. Summerhays said that it did not do any good in the last election.

Mayor Benton said that we need public officials that are going to get the public on track and get the facts out instead of misleading people. He said things are bad enough out there, but why make it worse. Let's get the facts out to the public and not mislead people for political gain.

Mr. Perona said that he would like to commend Mrs. Mazzarella for coming up with this "save the paper" for the agenda. He said it was a great move and he was encouraged when he saw the small packet until he found out that it was on both sides of the paper. He said another thing he would like for us to look into is File Transfer Protocol (FTP) for Board packets. He was thinking we could work a system out where we have that available through the Internet and anything we feel is important, they can download and print themselves. As long as staff has that exact thing here on the computer screen when they get here, we could probably work a system out for that. It would be nice for the staff to look into it and save paper and moving around and get the information to the Board members a little bit earlier. It is being done in a lot of other different committees that he is on and he would like to see that happen here.

Mr. Thiess said that we may have to bring our laptops to the Board meetings.

Mr. Thiess said that he has a letter that is going to go out in the October bills that will explain how we got to where we are in the rate situation with electric, where we anticipate we can get some relief, and what we are doing about it. He said that is a good lead in piece to start with the Candidates and we can certainly embellish it from there with more details.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN