

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, JANUARY 20, 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.

Others Present: Director of Utilities; Director of Electric/Gas Systems; Director of Finance; Director of Water/Wastewater Systems; Director of Shared Services; Risk Manager; Communications Manager; FPUA Attorney.

Chairman Cully called the meeting to order.

The Invocation was given by Chaplain Lillian Farias of Lighthouse International Worship Center.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Chairman Cully presented Director of Utilities, Bill Thiess, with his service award in appreciation of ten years of service with Fort Pierce Utilities Authority.

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

1. Approval of the Minutes of the Regular Meeting of December 16, 2008.
2. Approval of the Minutes of the Special Joint Meeting of the Fort Pierce City Commission and Fort Pierce Utilities Authority of November 18, 2008.
3. Bid 5878: Approve piggyback of Florida Sheriff's Association bid for purchase of two 2009 Chevrolet Silverado 2500HD, 3/4 ton pickup trucks with utility bodies in the amount of \$24,916/unit totaling \$49,832.00 from Classic Chevrolet Company
4. Bid 5878: Approve piggyback of Florida Sheriff's Association bid for purchase of two 2009 Chevrolet Silverado 1500 ½ ton pickup trucks in the amount of \$19,470/unit for a total of \$38,940.00 from Alan Jay Chevrolet, Cadillac, Inc.
5. Approve CDM Specific Authorization 09-02 for regulatory/permitting services for the Island Water Reclamation Facility deep injection well peak flows in the amount of \$32,500.00.
6. Approve the Low Income Home Energy Assistance Program Energy Provider Payment Agreement.
7. Approve Post Budgeted Work Order for FY09 for transfer of funds in the amount of \$41,115.00 for purchase of ArcFM Viewer for ArcGIS Engine.
8. Bid 5886: Award lowest and best bid to AVO Multi-Amp Corporation in the amount not to exceed \$45,057.00 for relay test set with testing software.

9. Approval of Post-budgeted Work Order in the amount of \$38,000 for installation of gas main extension and service to Bright Wash Laundromat.
10. Bid 5883: Award lowest and best evaluated bid to Ring Power Corp in the total amount of \$173,731.00 for purchase of a 55 foot hydraulic articulating aerial device.
11. Bid 5616: Approve additional \$18,000 to complete the second year renewal under existing unit price contract with M & T Agricultural Services, Inc. for directional boring for Gas Operations Department.

The following letters of appreciation were noted:

1. A plaque was received from the Florida Blood Centers showing appreciation for FPUA employees' support and participation in the 2007-2008 blood drives resulting in 12,750 gallons of blood donated by employees during the 2008 blood drives.
2. A note was received from The Mustard Seed thanking FPUA customers for a donation of \$324.15 through Project Care.
3. A letter was received from Mr. Ned Conlon of Citrus Avenue praising the work ethic and professionalism of Steve Peters of the Electric Transmission & Distribution Department in his attempt to solve a voltage problem at his residence.
4. A note was received from The Mustard Seed thanking FPUA Electric Transmission and Distribution employees for a contribution of \$50.00.
5. A letter was received from Stefanie Myers, Assistant Director of the St. Lucie County Community Services Division, thanking Levette Dixon for FPUA's support of their efforts to educate residents regarding the Earned Income Tax Credit by including bill stuffers in utility bills and creating a slide to show on monitors in the Customer Service Lobby.

Chairman Cully said she thinks it is great to see the continued participation of our employees with the different organizations in our community. She commented that Mr. Conlon's letter was very nice and shows that FPUA continues to do excellent work for our customers.

Mr. Thiess explained the request for approval of a three year lease with Kraaz & Kraaz Finance for the 113 North Second Street administrative offices.

We have drafted a three year agreement at a rate of \$15.00 per square foot per year. It comes to approximately \$11,962.00 per month for the leased area. The area consists of 9,570 square feet. We looked around in the downtown area and have some comparable lease prices. The building next to us runs about \$19.50 per square foot. We are well under all

the other Kraaz & Kraaz properties in the downtown area, which range from \$18.00 to \$23.00 per square foot. We have also compared our lease price to what we are charging the federal government for the courthouse space on 6th Street, which goes from \$19.00 to \$21.00 per square foot over the same three year period. We have looked at some research the GSA did when we were negotiating the lease for the courthouse. Those numbers were around the state from as far north as Gainesville and as far south as Fort Lauderdale. Our \$15.00 was well below the low end of almost every other comparable they were looking at when they were relocating the federal courthouse then. We feel the \$15.00 per square foot is a very fair rate. We fixed the term of the lease with Kraaz and Kraaz based upon the anticipated exit of the people from the federal courthouse. That lease goes through December 12, 2012. Our lease with Kraaz and Kraaz will end at the end of July of 2012. We could always go from month to month if we had to or negotiate another lease. If business is booming, we could be looking at a campus on 37th Street or we could stay where we are or move into the courthouse building if we don't want to sell that property.

Motion by Mr. Summerhays, seconded by Mr. Perona and unanimously carried to approve the three year lease agreement with Kraaz & Kraaz Finance, Inc. for 113 North Second Street administrative offices.

Mr. Thiess explained the Customer Service Survey to be discussed next is a part of Strategic Planning from two years ago when we decided we wanted to establish a baseline both for our Commercial and Residential customers as to how they feel about doing business with us. We asked questions about rates and customer service.

Mrs. Levette Dixon explained the survey to the Board. She explained this issue was discussed by the Board previously in a strategic planning session. This year we have hired CH2M HILL to conduct a customer service survey. This will give us a statistical basis of what our customers really feel, what they think and what they know or don't know about FPUA. CH2M HILL, along with the University of Florida Survey Research Center, will be contacting approximately 600 FPUA customers, which should yield a plus or minus 4% statistical margin. We will find out how customers feel about the services we offer and if our customers are using the lobby and our phone system. We will determine if they know about and are utilizing our payment centers. We will find out the types of interactions customers have had with our employees, whether it be positive or negative. We will ask if they have questions about the layout of our bill and if it is confusing to them or easy to understand. We will receive information on their general knowledge of FPUA. The survey will find out what customers know about our energy conservation programs and if they are familiar with any of our internet services. The survey itself should last no longer than twelve minutes. Once the survey is complete, we will receive a master questionnaire from CH2M HILL. They will tell us the research methodology they used and give us an executive summary for staff to go over. CH2M HILL will also provide us with any recommendations they may have for moving forward. Our Commercial account customers were notified within the past couple of weeks with regard to the survey through IVR, Interactive Voice Response System. We have advised them that a company will be contacting them to ask them questions on the survey. Tomorrow, she believes, Residential customers will also be notified through the same system. The survey itself is expected to begin on January 21st for Commercial accounts and on the 23rd for Residential accounts.

Mr. Perona asked if both Commercial and Residential make up the 600 names or is that a random sampling. Mrs. Dixon said it is her understanding that the 600 does include giving us the 4% of all our customers. Mr. Perona wants to make sure the Commercial customers get enough sampling so that it would render us some valuable information. He would like to see a certain percentage of Commercial and a certain percentage of Residential customers surveyed. If they are doing a general, random sampling that could be either class of customers, we may not be hitting all the numbers for the Commercial customers. Mrs. Dixon said she will verify that information and get back with Mr. Perona. She believes the surveys are separate with different questions for each class of customers. Mr. Perona said he thinks this Board and staff will use this survey as a means to come up with improvements and better services to our customers, so he would like to be able to depend on those surveys to reflect the concerns of our Commercial and Residential customers.

Mrs. Cully asked if there is a timeline for completion. Mrs. Dixon said the survey will take sixty days and three weeks later, we will receive the findings.

Mrs. Nina Hurtubise, Director of Finance, presented the rate comparisons for the month of November, 2008.

Mrs. Hurtubise explained the graph of municipal electric bills reflecting 1,000 kilowatt hours of usage in the State of Florida for November. Since October five utilities have increased their bills, but eleven have decreased their bills. As a result, FPUA's relative position compared to other municipalities has moved one slot to the right. In this month, the City of Williston had an increase of \$10.30 per 1,000 kilowatt hours. That was on top of a \$17.60 increase in October. Newberry has moved down with a decrease of \$16.24 per 1,000 kilowatt hours. They had increased their rates \$10.74 in October. They have done an about face. Overall the municipal average has decreased by 97 cents.

Next, Mrs. Hurtubise displayed a graph showing 2,500 kilowatt hours usage. The Board had requested that she provide a history of our monthly power cost and cumulative over and under recovery. Because she has a Power Cost Adjustment item coming up next, she will present this information at that time. Next month she will present the information with the monthly rate comparisons. In the comparison of our three local cities, there is no change in the table from October.

Mr. Perona pointed out on the electric rate comparison that Fort Pierce is still designated as "G" for generating utility. Is that something FMEA hasn't removed from their listing? Mrs. Hurtubise said yes. She will contact them to remove that designation. Mr. Perona said he always measures those communities that have generation abilities and watch them closely to see what their rates are compared to ours. He has been waiting for it to fall off. We are no longer a generating community.

Mr. Drummond asked if Mrs. Hurtubise can tell him with regard to generation, how much of an impact being non-generating has had in terms of our rates. Mrs. Hurtubise said she suspects it has had more of an impact than we thought it would. It was about \$7.00 or \$8.00. She will have a firm number by next meeting. It has had quite an impact. We did receive a great deal of money from FMPA for having the capacity to generate.

Mr. Drummond said Mrs. Hurtubise mentioned the cities that had rate increases. Were those increases to their rates or just to their power cost adjustments? Mrs. Hurtubise said she did not differentiate, but will let him know next month. Her suspicions are that they are related to power cost adjustment, because it is easier to make adjustments to the power cost adjustment than it is to actually change rates permanently.

Mr. Summerhays asked if it was Mount Dora that was subsidizing their utility with general tax revenues. Mrs. Hurtubise said yes. We have suspected that part of the reason we are where we are in this comparison is those cities whose utilities are a part of the city, have been subsidizing their utility rates with general fund revenue. Mr. Summerhays said he suspects there are a lot of those on the comparison list that are doing just that. As far as the generation goes, we knew it was going to cost us to discontinue it, but he believes it is costing us a lot more than we thought. When we went through the process we were faced with having to modernize and make our plant more efficient and possibly move it at great expense. He always liked being a generating utility, as he felt it gave us a margin of safety, but it had gotten so expensive, we made a decision to discontinue generating. Mrs. Hurtubise said yes, especially with a one hundred year old plant. Mr. Drummond thinks Mr. Summerhays hit the nail on the head when he said we did not think it would cost us that much to discontinue it. He always thought it would be just a small difference. Mr. Perona said we got all the goodie out of that generating plant as possible. It was held together with chewing gum and rubber bands for a while. Mr. Summerhays said that was our newest generator. Mr. Perona said he feels good about the fact that we got everything out of it we possibly could. It would have cost a lot of money to modernize the plant, so we got out at the right time. The plant is coming down and Treasure Coast Energy Center is up and running. Mrs. Hurtubise said the good news is we don't have any operation and maintenance expense for the plant anymore. Although we are not getting revenue from FMPA for the generation, we're also not paying for operation and maintenance; however, that was factored into our rate study last year. We factored that into our regular rates. Mr. Summerhays said there is no question we were making money generating. The problem was we were not going to be for very long, particularly with the boiler on our newest generator continuing to blow up.

Mr. Thiess said there is a move at FMPA underway to move the generation assets from the generating utilities to FMPA. KUA took the first step, and they are one of the biggest All Requirements Project generators. Once that happens, over a period of time the advantage the generators have over the non-generators will go away. We won't be at a disadvantage down the road regarding that.

Mayor Benton said when Mr. Summerhays brought up Mount Dora, he thinks we are going to see with these economic times over the next year to year and a half, how many other utilities are doing the same thing, tapping into their general fund, and in these economic times, that fund is dwindling, and they are not going to be able to replenish it. He thinks you will see some of these cities changing places with us. Also they will run into problems, because they won't be able to bond out if they need to make improvements to the utility or need infrastructure improvements, so it will be interesting to see how many of those communities run into some real problems this year. He thinks we are going to see one real close to home in this situation.

Mrs. Hurtubise presented a request for reduction of the Power Cost Adjustment (PCA) by \$5.00 per 1,000 kilowatt hours. The Power Costs are merely a pass through of our costs. We don't make any profits through these adjustments. She presented a chart to the Board outlining the power costs paid in the past fifteen months for recovery of an under collection which occurred over a period of time. This chart shows figures beginning in September of 2007. At that time we had an over-recovery of \$477,000. That is not very much when you realize we are paying \$4 million to \$5 million per month in power costs. We got up to an over-recovery of about \$1.4 million. That began to deplete as power costs rose. At that point we were increasing the power cost adjustment but not at a fast enough rate. She remembers last June when we received a bill for the month of May and had a huge swing of about \$900,000 between April and May. We were over-recovered at that time by about \$200,000. That may sound like a lot, but it was not. On June 17th we brought a Power Cost Adjustment to the Board that became effective in July. So, in the month of June we lost another \$800,000 or so. The actual under-recovery didn't peak until August when we were under-recovered by \$1.6 million. Since then costs have been coming down and our recovery has remained the same, so we have begun to swing back the other way. We have been recovering those funds. At the end of this past December, we were over-recovered by about \$675,000. Based on projections we have received from FMPA and PRMG, our rate consultants, we are ready to start giving back and reducing the Power Cost Adjustment. We did this as quickly as we possibly could.

Another note she would like to make is the \$54.00 Power Cost Adjustment we have been charging is only a part of the cost of our power. There is \$49.52 built into the actual rates, which is a fixed amount of power cost in our rates. We are actually recovering \$103.52 per thousand kilowatt hours. Our operation and maintenance cost for our electric transmission and distribution system is only \$46.32 in our rates. The power costs are double the operation & maintenance costs. That is clearly the lion's share of what the customer is paying for in their average \$149.84 bill.

Mr. Thiess said the O&M costs also include the rate generated money that is used to fund the capital program. Mrs. Hurtubise confirmed this.

Mrs. Hurtubise stated the proposed reduction of the power cost will reduce the customers' bills from \$149.84 to \$144.84 per month.

Mr. Drummond said most certainly the power cost adjustment is going in the right direction, so he won't fight that at all. In this proposal there is still an element that relates to philosophy. Staff must have a minimum and a maximum that they are comfortable with in that PCA account. Can you share with me what your minimum and maximum numbers are on the staff's side for comfort?

Mrs. Hurtubise said we certainly don't ever want to go below zero, but we would like to have a balance of about \$1.5 million, because we have experienced a swing of \$1 million in one month, and we could not react fast enough for it not to go below zero. It did go below zero.

Mr. Drummond said speaking as just one member, given the economic times we are in, he is certainly a big fan and proponent for stabilization. He knows that is what the PCA is there to do. But, he is also a proponent for us being partners as it relates to trying to working with our customer base in these times, and he doesn't know that he for one needs to be at a \$1.5

million surplus in these times. He doesn't like the concept of being below zero either, but he certainly is more of a mind set to say we shouldn't get below \$250,000 and strive to be comfortable around \$750,000 to \$1 million on the upper side. To him that is far more comfortable than suggesting that rather than run the risk of being below that \$250,000 in any given month, he would rather risk that, versus sitting with a surplus of \$1.5 million. That is a philosophy situation, so he is of a mindset to bring down the PCA to reflect that philosophy more so than one that speaks to a \$1.5 million to zero world.

Mr. Perona said he agrees with Mr. Drummond, but he thinks there is another element here rather than just Fort Pierce Utilities and our ratepayers. He thinks we also need to look at FMPA. In today's world where we have this gap and lack of communication where we're surprised by a bill that is \$1 million more than we expected, he thinks there is a time right now, and he is sure we are working with FMPA on this issue, where we can narrow that scope so we don't have to have that \$1.5 million surplus. He doesn't want to speak for all the Board Members, but he is just taking a guess that the one thing we do not want to do is raise the PCA after we lower it. Having said that he thinks it is important that we look at all our options, and one of the options needs to be a provider for our electric service where we buy our wholesale power. They need to be a little bit more responsive to us, because of our responsibility to our ratepayers. We open up a bill that is \$1 million more than we expected, and we're going nuts. It is the charge of this Board to help figure out the problem and fix it. The ratepayers have to open their wallets and pay money they didn't count on spending, so it comes right down the pike. He would like to go to the source, which is FMPA, and make sure they understand from FPUA that this is causing unbelievable havoc within our community, and we need to be more responsive to those issues.

Mr. Thiess said that will be happening. We will be going up to Orlando on February 5th and 6th for Strategic Planning with FMPA. That is one of the big issues that not only FPUA, but the other utilities will be bringing forward to try to stabilize the wholesale rate. If you look at the numbers for the last two years, FMPA tends to give it back in September going into the fall when we are going into our lowest month's usage. If we had no rate stabilization fund and followed FMPA every month, we would be lowering the PCA in September going into our low usage time and would be raising it in May going into our high usage time. That is exactly the opposite of what we want to do. We would rather be stable throughout the year or have the opportunity to lower it going into the summer when we have our high bills. Those are the main items he's heard of through talking to other members and our staff, that are going to be brought to the FMPA Strategic Planning Session. One is to get competitive. FMPA needs to be competitive with their wholesale rates compared to investor owned utilities and the other municipals, and two is to do something to try to eliminate that serious fluctuation in the wholesale rate, so we don't need to maintain such a large rate stabilization fund on our side. We will be looking at this every month. Every time we get that bill we will crank into the PCA tracking spreadsheet and see where we are and how our projections are coinciding with reality. Any time it looks like we are exceeding our expectations and collecting more than we think we should, we will bring back another power cost adjustment decrease to the Board. Our intention isn't to accumulate a lot of wealth in that fund. It is to use that fund to even out the bumps, and even if we go a little negative, we're okay with that, but we would rather not. We would rather not lower it today and have to raise it half again as much two months down the road. Once we have the rate stabilization fund, other than the money it costs to get it there, there is no increased cost to the customer to keep the rate stabilization fund. Once we have gone through the pain of accumulating that money with the rates over the past six

months or so, there is no further cost to the customers to keep the rate stabilization fund. If FMPA is successful in stabilizing their rates, and we don't have this annual cycle of ups and downs, we will be able to decrease that fund from \$1 to \$1.5 million, down to \$500,000 or \$750,000.

Mr. Summerhays said \$1.5 million seems kind of high. He isn't sure we need that kind of a pad there. If we get many more million dollar bills from FMPA, we may have to look at doing something more dramatic about it. He would like to see us keep the fund under \$1 million. He thinks FMPA has learned a lesson. Hopefully, we won't be getting any or many more of those surprise bills. He agrees with Mr. Drummond that we not try to maintain the \$1.5 million level in the fund.

Mr. Thiess said at the beginning of the meeting, he distributed a projection sheet, and as you can see from that, we don't hit the million dollar mark if we keep the PCA at \$49.00, until August of 2009. We will follow this very closely, and if we accumulate more than we think we need or if we hit the million dollar mark, we will bring back a PCA decrease to the Board. Mr. Summerhays asked if this will be reported to the Board every month? Mr. Thiess said yes. We will do the over collection/under collection spreadsheet and if you would like, we can print out a copy of the projection spreadsheet for the Board Members so they may track it along with staff.

Mayor Benton said he would like to see what other utilities might be keeping in their accounts. He thinks we all got the message from FMPA last year, but he thinks they got the message that it is unacceptable doing business this way and if everybody kept that number a little bit lower than they feel is comfortable and, also, talked about other options every time we go to one of their meetings, he thinks FMPA will get the message loud and clear that this type of business is unacceptable. Mr. Thiess said from our experience, finding out what the other utilities are doing as far as over-collection or under-collection is difficult information to obtain. Some of them have a general strategy and some of them just wing it. Mayor Benton said if they are willing to give it up, from his standpoint, it will be interesting to see what they do. Nina Hurtubise said she would attempt to get that information. Mayor Benton said he certainly doesn't want to be the wealthiest one of the list. Mr. Drummond said it just appears that the others have figured out something and in the absence of us getting that kind of knowledge, he doesn't know if they are going to be as motivated as we are to getting the movement at FMPA. Since we are going to be looking at this on a monthly basis, he is going to be of a mindset that when we hit that mark, we need to somehow continue to adjust downward. We are not anywhere near the municipal average or the All Requirements average. We're just above everyone at this point. We've got to find a way to get down.

Mr. Summerhays said he thinks everybody agrees with that. Mrs. Cully agreed and said she will be attending the Strategic Planning meetings with Mr. Thiess and Mr. Richards in Orlando.

Motion by Mr. Summerhays, seconded by Mr. Perona and unanimously carried to approve the Electric Power Cost Adjustment for the period of February 1, 2009 until further notice at the rate of \$49.00/1,000 kWh.

Mrs. Hurtubise presented a request to decrease the Purchased Gas Adjustment (PGA). The existing PGA is at \$.75 per CCF, and we would like to lower it to \$.50 per CCF. This will reduce the average residential customer's bill to \$33.48/13 CCF. We hope to maintain this for an extended period of time. If our projections are incorrect and we are too high, we will bring back a reduction as soon as possible. This is a pass through of costs. We are not making any profits on this. The amount projected to be over or under collected by the end of the year is zero. Any over collection we have today, we will still have at the end of September. The over collection right now amounts to about \$200,000. These are much smaller dollars as compared to the PCA.

Motion by Mr. Summerhays, seconded by Mr. Perona and unanimously carried to approve the Purchased Gas Adjustment for Firm Service for the period of February 1, 2009 until further notice at the rate of +\$.50/CCF.

Mr. Bill Abramowicz, Customer Service Manager, presented a request for approval of a revision to the resolution setting forth the General Rules and Regulations Governing the Provision of Utility Services.

Mr. Abramowicz said just when we thought we had these rules and regulations tidied up, we found one more little piece we wanted to change. We have many seasonal customers within our service territory, and we are mailing bills all cross the world to those customers. We currently have a fifteen day past due date for the utility bills. We heard from some customers who felt the turnaround time of fifteen days was too short. We are recommending we change that turnaround time to a twenty day window. Considering that a customer from out of town has a bill mailed to them, which may take several days to get there, and the customer may have been on vacation for a week, and by the time they were able to remit the payment to us, chances are it would be past due by our current criteria. In discussions with the Finance Department we did not see a significant impact on our receivables with the time change.

Motion by Mr. Perona, seconded by Mr. Drummond and unanimously carried to adopt Resolution UA 2009-01, Revision of General Rules and Regulations Governing the Provision of Utility Service.

Mr. Thiess reported staff has scheduled a Rate Workshop for Monday, February 2nd, from 1:00 p.m. to 3:00 p.m. at the Energy Services Center War Room. We had a rate workshop with staff last week, and this will be a rate workshop with the Board. Our Chairman was present at the staff workshop, since we can only have one Board Member present without violating the Sunshine Law. We will probably bring two scenarios for rate adjustments. He thinks the Board will be happy with the electric rate proposal. We intend to invite the City Commission to attend as well.

Mr. Koblegard reported we have received an easement from the State of Florida from the Trustees of the Internal Improvement Trust Fund to serve a University of Florida facility on Rock Road. Normally, we require a perpetual easement, but this one has a limitation of 50 years. He has discussed it with staff, and we think we can live with that provision. It is on the perimeter of the property and does not go internally through the property, so if for some

reason on the anniversary date there was still some issue with it, we could use Rock Road and one of the County canals to by-pass it around the property if we have other customers on the line at that time. This is something for the City of Fort Pierce to sign, since it is real property. He just wanted to bring it to the Board's attention if anyone had an issue with it.

Mr. Perona asked any Board Member who has a relationship with any of the City Commissioners to make sure they understand how important the rate workshop is. We go through a lot of issues that would help with understanding the situation, because they have final approval of our rate increases. He thinks it is important for them to attend and is something they shouldn't miss.

Mr. Summerhays suggested the Mayor bring this up tonight at the City Commission Meeting. Mayor Benton said he is hoping there is good news there, too. Mr. Perona said he thinks there will be.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN