

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY,
TUESDAY, APRIL 7, 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; Ex-Officio Member/City Manager, David Recor

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

The Invocation was given by The Reverend George Welch of White City Methodist Church.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

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

1. Approval of the Minutes of the Regular Meeting of March 3, 2009.
2. Approval of the Minutes of the Regular Meeting of March 17, 2009.
3. RFP 5899: Award contract to Ground Pounders Trucking for removal of dried lime residuals at no cost to FPUA with a onetime payment to FPUA of \$261.56 for two years with a two-year renewal option.
4. Bid 5902: Award lowest and best bid that met all specifications to M & T Agricultural Services, Inc. in the not to exceed annual amount of \$40,000 for one year with two one-year renewal options at the same not to exceed annual price.
5. Appoint John Tompeck as alternate director to the Board of the Florida Gas Utility (FGU).
6. Approve Post Budget Work Order for utility relocations at 3rd Street and Gardenia Avenue for City of Fort Pierce Drainage Improvement Project in the amount of \$85,000.00.
7. Bid 5901: Authorize additional \$20,000 for emergency welding and miscellaneous pipe work under contract with InfracSource Underground Construction Services, LLC bringing total to date to \$40,000.
8. Approve Non-disclosure Agreement with Florida Lambdarail, LLC to allow FPUA ITS Department to investigate the feasibility of connecting to their statewide communications network.
9. RFP 5894: Approve sole source purchase of materials and labor from Community Communications Authority for the expansion of wireless communications infrastructure in an amount not to exceed \$40,000.00
10. Bid No. 5911: Award lowest and best bid to T. Wayne Trucking, Inc. for trucking approximately 20,000 tons of wet lime residuals per year for a total not to exceed \$89,600 annually for one year with two, one-year renewal options.

The following expression of appreciation was noted:

A note was received from Mustard Seed thanking FPUA customers for a contribution of \$302.88 through Project Care and FPUA Electric T & D employees for a contribution of \$50.00.

Mrs. Nina Hurtubise, Director of Finance, presented the residential rate comparisons for the month of February, 2009.

The graphs indicate for 1,000 kilowatt hours usage, there are presently nine municipal utilities with rates higher than ours, indicating we are slowly working our way down to the median. These rates reflect a \$5.00 decrease in our Purchased Cost Adjustment. Many of these utilities have had rate increases since this report was last presented. For 2,500 kilowatt hours usage, there are seven utilities with rates higher than ours. In the utility bill comparisons for Fort Pierce, Port St. Lucie and Vero Beach, FPUA remains slightly higher overall even with the decrease in our Power Cost Adjustment.

Mr. Dino Nesselrode, Senior Engineering Technician with the Electric Engineering Department, presented a request for approval of a post budgeted work order and transfer of funds to provide new underground electric service for the new Holiday Inn Express project just east of the Turnpike entrance.

Mr. Nesselrode explained the total cost of the project is \$98,142.00, which includes a contribution in aid of construction from the developer in the amount of \$77,000. The project consists of the demolition of the existing hotel directly on Okeechobee Road and construction of a new hotel approximately 500 feet south of the existing hotel. The money we are requesting is necessary to provide the electric service to the hotel and upgrade the conduit from a 4 inch to a 6 inch. We would like to install a larger conduit for a future feeder tie. It will help maintain and increase reliability to our customers west of I-95.

Motion by Mr. Summerhays, seconded by Mr. Drummond and unanimously carried to approve post budgeted work order in the amount of \$98,142.00 to provide new underground electric service for the new Holiday Inn Express project.

Mrs. Nina Hurtubise presented an Actuarial Valuation Report on Other Postemployment Benefits.

Mrs. Hurtubise explained this report is for September 30, 2008, and also includes 2009. We will be doing these reports every other year. The reason we have had to request such a report is to be in compliance with Governmental Accounting Standards Statement No. 45, Other Postemployment Benefits other than pension. This report estimates for us what the current cost of future benefits of the health insurance for our retirees is going to be based on what we have here today. It is a tremendously complicated issue. It is a very abstract concept to take future costs and assign them to employees who are serving us today. Not only is the cost that we have recorded on our financial statements related to our current

employees, it also relates to the service people have already given us. She referred to item B-1 in the report, a table of numbers. What you will see there for Fiscal Year 2008, about \$2 million related to current service for the current year, but for those future benefits of those health insurance benefits that we charge our retirees, which is what our insurance consultants have always estimated as full value. There is an implied subsidy there. Although we charge our retirees what we charge everyone else, because of the experience of older people, they use the system more and if they were in their own group, they would cost more. There is an implied subsidy. The younger folks are paying for the older folks. That is the whole idea of group insurance in the first place. This report assigns numbers to that. It takes into consideration the ages of our employees. It estimates what the future cost of the insurance is going to be, and how long people are expected to live. This is why we engage Actuaries to do this. We couldn't begin to do this ourselves. There is also about \$650,000 worth of prior costs that were incurred, but the accounting standard allows us to just start today, basically. We are just starting to record now so we can take prior liability, which is actually about \$20 million, and amortize it over 30 years. We are not funding this at this time for a couple of reasons, primarily, cash is short. We have to record it as an accounting entry.

We are also striving to modify our health plan for our retirees to allow them to participate in a less expensive alternative to our group. It will reduce our liability. It won't eliminate it. It is better for the retirees, because they will then be able to afford to retire. There are people who could retire, but haven't because they can't afford the insurance. We also have the estimate for the next year. It is a little bit more than it was this year. It is about \$2.5 million per year.

Mrs. Cully said we do not fund this at the present time. Mrs. Hurtubise said there is a very small amount of contribution recorded this year, but that is actually what the retirees are paying in. So, no, we have not funded any of this.

Mrs. Cully referred to page E-4 it talked about samples of ages and percent of active members separating within the next year. She asked what those numbers are. Mrs. Hurtubise said they are what the Actuary assumed to be true.

Mr. Summerhays said everybody has been aware that this liability existed for years, but nobody could come up with a way that anybody could agree with on how to accrue it. This is what the GASB finally did. Mrs. Hurtubise said the for-profit folks and the investor owned and the publicly traded companies have had to record this liability for a long time. This is what the governmental accounting standards people have decided to tell us to do.

Mrs. Hurtubise next presented the December 2008 Quarterly Financial Operating Results.

Our income before City distribution, capital contributions and extraordinary items net of income and expense is \$34,000. That is correct. The capital contributions were \$1.3 million. Our contributed capital was down \$3.65 million from last year.

We continue to experience decreases in water and wastewater units billed as compared to previous years. Grant revenue is down about \$1.5 million from that which was recorded in 2008. That was the wastewater grant we received. That is why we have the low figure of \$34,000.

She showed the Board a pictorial of statistics of units sold. Electric is going down 10% from last year. Water is down 11% from last year. Wastewater is down 10% from 2008. Natural gas is pretty much flat compared to last year. She next showed the Board the dollars associated with those statistics. Revenues for Electric are up 11.2%. If you take the PCA out of that increase, we are actually down 4% in Electric. Water is down 2%. Wastewater is up about 7%, and Natural Gas, although it is fairly small on the charts, is up 14.6%, although about half of that is attributable to Purchased Gas Adjustment. She next showed a chart of our operating income, which consists of operating revenue minus operating expenses. It looks at the correlation between that and the debt service coverage. As you can see debt service coverage is very steady, and we are well above the 1.25 times debt service coverage requirement of our bond covenants.

For the month of December our change in net assets is about \$1.5 million less than it was the prior year. That is just for the month, largely due to grant revenue decrease of \$1.7 million. Our purchases for resale were up \$471,000. What we are going to see this year is a monthly hit for that OPEB expense of about \$215,000 per month, so you will see that for the next nine months. There was an increase overall in operating revenues for the month in the amount of \$821,000. We had no generation costs. The Power Plant is shut down. We did have a decrease there and depreciation expense for the month was down \$59,000.

Year to date we did have a reduced change in net assets, which is \$5 million less than last year. Our utility bad debt expense is up \$90,000.

We do have an increase in operating revenue for the first three months of about \$2 million. The depreciation expense has decreased, and we have no generation costs amounting to \$393,000.

Mrs. Hurtubise commented on contributed capital. She stated she may stop showing this to the Board, because it is not as significant as it has been in prior years. She guesses it is the dramatic decreases that you need to see. The good news is that we've got \$1.3 million in contributed capital for the first three months. The bad news is it is down \$3.5 million from the prior year. We expect it to stay there. The \$1.3 million is 93% of our increase in net assets. Our income from operations is a very thin margin for the first three months.

Mr. Thiess reported that we had been advanced \$300,000 from the Fort Pierce Redevelopment Agency for the Avenue Q Project. That has changed from FPRA/FPUA funding to CDBG funding, which goes through the County's process, because it is FEMA related, not the typical CDBG that the City works with. That's where the delay came. It is moving forward. Jon Ward asked us to refund the \$300,000 that FPRA advanced for that project, so we cut the check last week and got it back to them.

Mr. Thiess reported that last night he took the distribution to the City for Fiscal Year 2008 in the amount of \$5,045,811, which represents the full 6% of gross revenues for Fiscal Year 2008.

During the meeting there were a couple of issues raised that relate to the Charter. He wanted to try to clear those up as best he could. There were two items of information given to the

Board tonight before the meeting. The first issue was the 2006 transfer. We have had lots of correspondence and letters written and apparently everybody doesn't have all that correspondence. He wanted all the decision makers on this Board, on the Commission, the City Manager, City Attorney and our Attorney to have everything he had. He thinks there are a total of eight items in the packet given to the Board today. Those are all the documents he is aware of that relate to that item. It includes all the Attorney opinions and Board opinions, and the compromise that was set in August of 2008. He is sure we will be in discussion with the City on the compromise and see where we go from there.

The other item was brought up by Commissioner Sessions. He was alluding to some phrasing in the Charter that he construed as allowing us to establish a sliding rate for people that couldn't afford to pay the full rate. In other words, you pay the utility bill in accordance with your ability to pay. He put in several calls to Commissioner Sessions and was unable to get in touch with him today and didn't get any calls returned. When Mr. Thiess went through the Charter he went right to the phrasing. He believes it was included in Section 176, Subsection 6 where it says "rates shall be uniform for all customers within the same class but different rate schedules may be applied to different classes of customers as determined by the Authority." Mr. Thiess drafted a memo which will be sent out tomorrow morning with the Charter attached to it. The classes of customers referred to in that sentence refers to groups of customers that are receiving the same utility services. In our case it refers to Residential or Commercial customers. It doesn't refer to socioeconomic class or any other class. It is groups of customers receiving the same utility service. In the sentence following that one it states that rates for each separate class of customers are developed based upon cost of providing the service. The interpretation that class might refer to socioeconomic class is not a valid interpretation of that part of the Charter. That is stated in Mr. Thiess' memorandum. If you did that you would be violating the bond covenants. Bond covenants say that one group of customers can't subsidize another. He wanted to clear that up because it was on the record last night. He wanted it to be on the record here and very clear that is not the case with the Charter, and that it would in fact violate the bond covenants and put that issue to rest. This memo will go out tomorrow morning with the Charter attached and that should be the end of that.

Mr. Koblegard said Mr. Thiess has asked him to brief the Board on an issue he thinks is coming up between the City of Fort Pierce, the City of Port St. Lucie and St. Lucie County. It relates to a proposed development called Provences. The location, as he understands it, is on the north side of Midway Road and west of I-95. He is not sure of the exact size, but he thinks from the meeting we had last week with the County and the City of Fort Pierce, the developers are proposing some 3,500 residential units on that property. All of the developers are from outside this area. As he understands the history of it, they must have approached the County first, because it is located in the County, about developing the property, and the County supplying water and wastewater service. They may not have been pleased with what the County required as far as the development. He thinks they then turned to the City of Fort Pierce to see what they would require, and also whether or not the Utilities Authority could supply water and wastewater for the project. He thinks the developer was given figures from the UA as to what it would cost them to put in their share of infrastructure to serve the project. He doesn't think they were satisfied with that. Then, the developer must have approached Port St. Lucie. He thinks the Port St. Lucie Planning and Zoning Board is having a meeting today to approve or deny voluntary annexation of Provences into the City of Port St. Lucie. If

the Planning and Zoning Board does approve it, it still has to go before the Port St. Lucie City Commission for final approval.

The question is if the annexation is granted, where does that leave Fort Pierce Utilities Authority and the County as far as providing water and wastewater services to Provinces. The big picture is back when the County sold their water system to Port St. Lucie, there was a map attached to the agreement setting out the areas which Port St. Lucie would serve and areas they could only serve with the County's permission. Everywhere north of Midway Road, according to that agreement, which is still a valid agreement, requires the County's permission to serve. Port St. Lucie adopted an ordinance recently stating that they were increasing their service area from Midway Road to Okeechobee Road out to where the two roads intersect somewhere around the fairgrounds. PSL has adopted an ordinance stating they are going to serve north of Midway Road to Okeechobee Road. That is a violation of the transfer agreement between the County and Port St. Lucie.

Also, the County has adopted a special ordinance that adopts the area in question, all the area north of Midway Road outside of our Area A that is included in our Bulk Water Agreement with the County, as a special district that they will supply water and wastewater services to. The County advised the City of Port St. Lucie of that, and he thinks Port St. Lucie's response was, yes, you've passed the ordinance, but you didn't have a referendum, which is required to make it valid. Mr. Koblegard said he does not deal in County statutes, so to speak, but he looked at it today, and it looks like to him that what the County did would not require a referendum. They did it through the County Commission. He thinks if people that may be in the area or some of the other County residents want to request the County to set up a water district, that would require a referendum. He doesn't think it does if the County initiates it on their own. He could be wrong, but he thinks that is correct.

Then, the question came up if the property is annexed into the City of Port St. Lucie, can the FPUA still serve that area? The way we serve it now is through the Bulk Water Agreement with the County. We would supply bulk water to the County, and they then would have all the customers in Area B, which includes the area between Midway Road and Okeechobee Road, as their own individual customers. Our Bulk Water Agreement with the County says we will serve bulk water to the County outside of our Area A where we serve individual customers, or can. The question is can we still serve the County with bulk water if that property is annexed into Port St. Lucie? Florida Statute 180 governs what a public utility or municipality can do outside their own municipal service area. It says very clearly that you can't serve inside another municipality. So, at first blush if you read that, if the property is annexed into Port St. Lucie, the statute says we can't serve it. However, he checked the case law. Inasmuch as the County has declared that area as a district they will serve, and inasmuch as we are supposed to supply bulk water to that Area B, both of those acts predate the annexation into Port St. Lucie, so he believes the case law states that Port St. Lucie annexes that property subject to our right to serve. If that is correct, even if it is annexed by Port St. Lucie, he doesn't think they can serve water or wastewater to the area. If that is true, the question becomes does Provinces have any need to go to Port St. Lucie? He doesn't know. That would be another decision.

The other "kicker" would be, even though we have a Bulk Water Agreement that says we will serve the County with bulk water outside of our Area A, and Area B is the area in question, and even though the County has declared that to be a special district they will serve with

water and wastewater, we have to go back to the old water wars with Port St. Lucie in the 90's and early 2000's, where you still have to be prepared to serve. You can declare it and that's one thing, but if you can't serve it, you lose the rights. That is up in the air. The County has run a water line on the north side of Midway Road all the way out to the fairgrounds. We are prepared to put water in the line, but a lot of the sections necessary, that are the County's responsibility, have not been completed by the County. It would be a question of whether or not the County can say they are prepared to serve. He doesn't know when Provinces may say they need the water. It is not going to be tomorrow or this year. It might not be next year, but it will come if they go ahead with this development. That would be a problem if we are not prepared to serve. From the Fort Pierce Utilities' standpoint there is a lot of funding necessary for us to be prepared to serve the water line. He thinks we can serve a certain number of units, but not its complete build out in that area. That is another issue to be resolved.

The County has already notified Port St. Lucie of what is called a Conflict Resolution. That is when they will say they don't agree with Port St. Lucie on serving the area or on Port St. Lucie going north of Midway Road, and they will get together and mediate it. If not, they will go to court and battle it out. Fort Pierce Utilities does not have a standing to be involved in that law suit if it goes to court. The City of Fort Pierce probably would. If there is a battle over the right to serve water or wastewater there, we would have standing to intervene or assist in that suit. He thinks, legally, we can prevail. Then, the question is whether or not the infrastructure is there to carry the day. He will be happy to try to answer any of the Board's questions.

Mr. Drummond said he asked Mr. Thiess to have Mr. Koblegard brief us with regard to this issue. He attended the workshop last week between the City of Fort Pierce and the County. He is not interested in our getting involved in the annexation issues between Port St. Lucie and the County. His concern is as it relates to the longstanding relationship we have had in supplying utilities north of Midway Road. He is concerned about the City of Port St. Lucie getting lines in the ground north of Midway Road, and we sit back quietly and wait on the County to either do something or not do something, and then by the time something is done, it's too late. He is concerned about whether or not we have the ability to protest in any way to protect our rights north of Midway Road with regard to utilities, so we are not left in a position to have to fight after the case. He thinks we have been staying out of the discussion, because it was outside of Area A, but he is thinking long term if for some reason we are forced to do something with regard to utilities, we have the area reserved so we can serve it and not Port St. Lucie. That is why he wanted us to be able to have some input.

Mr. Thiess said there is one other scenario we need to be thinking about. The Bulk Agreement with the County allows us to serve directly in Area B with written consent of the County. Under that scenario we could be a direct provider or if the County utility ended up in our lap, we would be a direct provider. If the annexation was allowed, even though under the Bulk Agreement we could still have a justification that we could provide bulk service, would Section 180 of Florida Statutes preclude us from giving direct service if the County gave us a letter of permission or if we ended up with the County utility in our lap?

Mrs. Cully asked the Mayor where the City stands right now on this annexation? Mayor Benton said the City adopted a resolution the other night. They had a joint meeting with the City of Port St. Lucie and at that meeting everyone agreed that was our territory. We all

shook hands and walked away, and we were all very surprised that at Port St. Lucie's next meeting there was a three to two vote that they send the issue back to the Planning and Zoning Board, which was not the agreement we had with them. He has furnished Port St. Lucie with a copy of the minutes from that joint meeting where their four council members who were present agreed to it. The City of Fort Pierce adopted an official resolution of what was discussed at that meeting, which would set forth a formal claim on that land north of Midway Road by the City of Fort Pierce. He thinks it will be decided soon. He knows the developer and the attorneys for the developer are involved in this discussion. The Mayor has never had a presentation made to him personally on Provinces. What he knows about it, he read in the newspaper. This will probably take years. We are dealing with 700 acres. He thinks it is very important. It is our territory. South of Midway Road is Port St. Lucie's territory. Whether we can provide utilities at this point or several years away, that is not the issue. The issue is the ability for Fort Pierce to grow to the west in that area.

Mrs. Cully asked if the City of Fort Pierce has been talking about annexing in that area. Mayor Benton said yes, because of the landfill and the Wal-Mart distribution center in that area. Once Wal-Mart is annexed, that would make the property in question contiguous to the City of Fort Pierce. Because of the taxation issue with Wal-Mart where the City deferred taxes for several years, the annexation is several years away for that property. We are in discussions with Wal-Mart to see if we can speed that up. We are also in discussions with the County regarding annexation of the landfill. The County doesn't want us to annex now, but he thinks we will get there in the near future.

Mr. Drummond said he is not trying to get into the annexation issue. That is truly the City's business. He is just concerned whether or not it makes sense for us to voice some protest with regard to the utilities north of Midway Road, so we are on record with regard to believing if the County is not going to supply it, we believe we should have some right to reserve that opportunity. Mayor Benton said we tried to get to the root of that at our workshop the other day with the County, because he thinks we all understand that the County doesn't have the ability, financially, to put pipe in the ground and extend their utility service. He thinks this Board should lay claim to that territory. The County just doesn't have the ability. We haven't gotten a straightforward answer from the County on what they can and can't do. Hopefully, that will come soon.

Mr. Perona said if he is not mistaken the County is running out of time. He was on this Board when the County gave us their notification letter, so that next March all new connections freeze. He knows they have not been building plants, so we are the only player if he is not mistaken, other than Port St. Lucie. It is a question of these developers coming into this area and not knowing where they will get services from. No matter what, communication on the political end needs to happen. We need direction as soon as possible, so we can start getting our act together so we can serve the area. He definitely agrees that we don't need to give up any rights we have for that area. Any hopes of the County supplying the water themselves is a moot point right now. Mr. Thiess said the five year notification we received from the County where they said they were going to build their own capacity in five years, runs out in March of 2010. There is no way the County can have capacity built. We have been talking with them about revising the Bulk Agreement to carry on from that point forward. That would be a newly negotiated Bulk Agreement with different rates and different features. It would address the needs of the UA and County now, which are much different than they were six years ago. There will be a letter going to the County next week stressing the need to

bring that to the table and have something in place if they wish to continue to receive bulk services after March of 2010. Mr. Perona said if he remembers correctly, at the end of that date in March, we are not required to serve any other hook ups. Mr. Thiess said we are not required to provide any additional bulk service to the County after March of 2010 other than what is connected at that time.

Mayor Benton said in his discussions with them before Doug Anderson retired, the only way the County can move forward with this to create facilities and really get into the utility business is to go out with a referendum, because the cities have their own utilities. Unincorporated St. Lucie County residents would have to support a utility when most of them have well water and septic tanks. For those residents to buy into creating a multimillion dollar utility system to support development, isn't going to fly. So, they have had a year now, and he thinks they are going to have to act very soon on that, because to get anything built, it would take a year or longer. Mr. Perona said we are good, and he doesn't think we could get it done in three years. Mayor Benton said he thinks the County has lost their window of time, and he thinks it is crucial that they start coming up with some answers and decisions. He thinks we can move forward without them.

Mr. Summerhays said as he recalls in previous discussions about Provinces, there were considerable questions as to whether we could make money supplying them with water and wastewater services. Is that not true? Mr. Thiess said we wouldn't supply them with water or wastewater services unless we could make money. That is one of the reasons we need to renegotiate the rates in the Bulk Agreement with the County if we are going to continue it. For big developments like Provinces it would actually be in the County's favor, because the wastewater rate comes down and the water rate comes up. The net between the two rates is actually \$.70 better for the County. We are not doing nearly as well as we could if we had a balance of water and wastewater in the business with the County. The ball is going to be in the County's court to decide whether or not they want to continue in the bulk service business with us after March of 2010. We will just go from there. Mr. Summerhays said as he recalls, we have a lot of pipe to lay to do this. Mr. Thiess said to serve the entire triangle bounded by Okeechobee Road, Midway Road and the Turnpike was about \$18.5 million in water and wastewater infrastructure improvements. That is the backbone system, not within the developments.

Mr. Koblegard said following the joint County/City of Fort Pierce meeting, we did meet with City, County and UA staff Monday a week ago, and Mr. Thiess again brought up the issue about the Bulk Water Agreement running out for any new connections, and he thinks they did take that to heart. Mr. Koblegard spoke with Dan McIntyre today about that, and he thinks he is trying to set up a meeting very shortly to move ahead with that. He believes the County wants to do whatever they can to block Port St. Lucie. They can't do that without us.

Mrs. Cully said she agrees with Mr. Drummond that we need to make some kind of statement. How does everyone else feel?

Mayor Benton said we can bring a resolution back at the next meeting, basically, putting a flag in the ground. That's our territory. We can make a stance now and support the City and County. He doesn't think anybody wants to get into a law suit. We have enough problems dealing with the economy and our own budgets. This isn't the appropriate time to be fighting like this. Mrs. Cully said it could be that Provinces may go away, and we have done all this

for nothing. She still believes we need to take a stand on territory that we have been in an agreement with. Mayor Benton doesn't think Provinces will go away. It will just take some time. It is driven by Attorneys and developers. It will be a matter of years before the economy is back on track. Mrs. Cully said at that point we might have some money to use for this.

Mr. Thiess said the question he has for Mr. Koblegard is if we draft a resolution affirming that whether it is bulk or retail, that north of Midway Road is our service territory, does that improve our legal position? Mr. Koblegard said it is always nice to be able to come back and say we put you on notice of this rather than raising it at a later date, so it certainly wouldn't hurt us to do that. He talked to Dan McIntyre and the County was planning to object to this at or before this Port St. Lucie Planning and Zoning meeting today. Mr. McIntyre thought the County was going to have someone there, but if it passes the Planning and Zoning Board, Mr. McIntyre plans to take it up with the Port St. Lucie City Commission at a later date.

Mr. Perona said in keeping an apolitical stance, he is all for stating the obvious and make it blatantly clear that is where we stand. It is already our right. It is not like we are asking for a certain position. Our position with the County is well documented, and he thinks that is an asset to this utility, and we need to state that in a formal manner. As far as taking a political direction on this, he doesn't think that is our position. He thinks it is to follow in line with the direction of the City of Fort Pierce and do what we have agreed to do and keep our agreements intact. If we do anything, he thinks we should merely state the obvious, state what we already have and let people know this is something we intend to hold onto. Mr. Summerhays said he doesn't have a problem with that. Mr. Drummond said clearly he did not come to be political. If a resolution states the obvious with regard to that territory, he is very much in support of that. He would certainly make that motion. Mayor Benton said he thinks that is the route to go. That is the way we do business. Whether we like it or not, what we do is political.

Motion by Mr. Drummond, seconded by Mr. Perona and unanimously carried that we prepare and adopt a resolution at our next meeting stating that we consider the area north of Midway Road to be within the Fort Pierce Utilities Authority's service territory.

Mayor Benton said he has asked Mr. Thiess to give us a brief discussion on Cap and Trade. We hear so much about it. In his discussions with the public, business people and people in government, ninety-five percent of the people he talks to don't know what cap and trade is. They might have heard the words, but he thinks it is important that we put on a presentation, so the public knows this could double their electricity rates if approved. He had lunch today with Congressman Rooney, and he said this could come up for a vote towards the end of the summer. He led Mayor Benton to believe Congress is on board with it, but we might be able to reach the Senate. Mayor Benton has seen numbers from 50% or more to raise the rates. It will raise rates considerably, and he thinks the public needs to be aware of it. This is something they are doing in Washington. This is something to make us go green. We have oil and coal and that is the way we receive our electricity through the grid system, but they will penalize all of us, and especially the ratepayer, with this tax. He doesn't think the public knows. The problem is it is going to come to us. When that tax comes down the pike, the people are going to come in and complain to us about their electric rates, and it is out of our hands. He thinks the people need to know what they need to do.

Mr. Summerhays said he doesn't know how it can be characterized as a tax. His understanding is they are going to cap the amount of carbon that can be produced. If Company A has an allocation of "X" and it is only producing "Y", it can sell the difference. That is the trade part. They are going to create a market in carbon credits. There is the potential that it could raise rates, but he thinks the percentages and likelihood have been grossly overstated, particularly by Republican Senators. Mayor Benton said he is not saying Republicans or Democrats, what he is saying is that the public needs to be educated on this, and so do we, because everything that happens in Washington, there is pork tied to and there are agreements made to make these things pass. As much as we all want to go green, he doesn't think at this time the economy can afford this. He has seen both sides of this, and he thinks we need to get whatever facts are out there and get people involved in this discussion, so they know what could come. Mr. Thiess said we can do some more research on that. It is hard to quantify it until we see a specific proposal. He gave the Mayor a copy of an article that said utility rates in the mid-west could increase 40% to 80% under the current concept of the Cap and Trade the feds are talking about. That is out to 2030. Mr. Summerhays asked if they generate with coal. Mr. Thiess said yes, there is a lot of coal, but natural gas gets hit pretty hard too. To have that kind of increase just for the Cap and Trade policy, and on top of that the rising cost of fuel, inflation and everything else is excessive. Just the Cap and Trade alone, according to the agency that has studied it, could raise the cost from 40% to 80% in the mid-west. Mr. Summerhays said he is not a big fan of Cap and Trade, but you should see some of the other plans. Mr. Thiess said those others include carbon tax, which could be very expensive if not crafted properly and if they don't consider the cost to the consumer. That is the key. Mr. Summerhays said overall as a whole, it is unlikely to raise rates, but some people are going to pay more and some people are going to pay less, and it all depends on their mix of generation. If you have a tremendous amount of nuke power like FPL or wind or solar, you are going to have carbon credits to sell, and your rates could go down. Mr. Thiess said the only thing that shows an overall increase in the rates is a lot of the money that is going to be established in the credits is going to go to research and development. That will be whole new cost that has to be funded by the Cap and Trade policy. If there was a very serious R & D effort, that could substantially increase the rates to accomplish the goal and develop a new technology. Mr. Summerhays said it is very difficult to discuss anything that Congress hasn't already done. He learned watching income tax rules get passed a long time ago to never listen to any of the proposals until they became law. The law never looks like the proposal, ever. There is no telling what we are going to get. Mr. Thiess said probably the only productive thing that could be done at this point is to urge the Senators to consider the cost to the consumer in detail in any proposal that goes forward. Mayor Benton said we also have to educate the consumer. We have been hearing about Cap and Trade for a couple of years now, but when you ask a business person on the street or a lot of elected officials that he deals with that aren't in the electric business, they don't know. He thinks education and finding out the real facts is important.

Mr. Perona said it's funny at the APPA conventions we attended over the last four or five years, you would have the green power seminars and there would be about 25 people in them and they would be by themselves, and we would all be in our other seminars trying to learn about coal, oil and nuclear power. Over the last five years with all the regulations coming up, coal, oil and nuclear power seminars have 25 people, and everybody else is in the wind power and hydro power seminars. He thinks what the government is doing is their crazy way is trying to get the attention back to things that aren't going to hurt the earth and environment. Those things are at a high cost. People are going to have to come to that

April 7, 2009

Page - 12

conclusion. Green is great, but you're going to have to pay for it. It will be interesting to see what is going to happen in the next ten years. Wind power is getting to be quite the thing. The APPA daily newsletters we receive are always talking about that kind of stuff. Millions of dollars are being invested in wind farms and offshore stuff. It is amazing. Mr. Summerhays said if they build them where there is a lot of wind and the infrastructure to get the electricity someplace else, it's a great source, but it's going to cost. Mr. Summerhays said he was reading an article last night, and somebody is building a shock absorber for a hybrid car where the shock absorber itself produces electricity. There is a little turbine in the shock absorber, and as it goes up and down it runs oil through the turbine. Mrs. Cully said she is putting in new blinds and awnings that take the sun away from your windows. Those are just small ideas, but they can help a lot. She thinks we really have to be thinking about these things seriously. People have to realize that the price of electricity is not going to go down.

There being no further business, the meeting was adjourned.

ATTEST:

Secretary

Chairman