

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

Members present: Chairman, Pamela K. Cully; Secretary, Thomas K. Perona; Deputy Secretary, Darrell Drummond.

Excused: Vice Chairman, Robert W. Summerhays, Jr.; Mayor Robert J. Benton III

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

The invocation was given by The Reverend Moses Hill of Moses Hill Ministries.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Mr. Craig Brewer, Superintendent of Electric Transmission and Distribution, presented the American Public Power Association RP3 Award to the Board.

Mr. Brewer explained that FPUA is one of sixty of the nation's more than 2,000 public power companies to be recognized as a Reliable Public Power Provider (RP3). This is the highest award American Public Power Association provides its members. The RP3 program recognizes public power utilities that have demonstrated proficiency in four disciplines. Those are reliability, safety, workforce development, and system improvement. Our criteria within each category is based upon sound business practices and company-wide commitment to safe and reliable delivery of electricity. It is an award that is given to the entire company. Our workforce development plan stretches across the whole boundary of the company, as well as our system improvements.

The Chairman thanked Mr. Brewer and all FPUA employees for making this possible.

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Mr. Al Caprio, Safety/Environmental Officer, presented three safety awards: The American Water Works Association Award, Florida Municipal Electric Association Award, and a National Safety Council Award.

Mr. Caprio explained all three of the awards are for our low incident rate based on the number of hours we worked. The first award is for the Water/Wastewater Systems from the American Water Works Association. This award is for the year 2007. The second award is for our Electric System from Florida Municipal Electric Association. We received second place for safe operating practices for a municipal electric utility. The last award is for our Water System from the National Safety Council. This is the 2009 award for occupational excellence and achievement.

These awards are a testament to our commitment to safety first, not only for our employees, but for the community.

The Chairman congratulated all FPUA employees. We should all be very proud to receive these awards.

Photos were taken of presentation of the awards.

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Motion by Mr. Perona, seconded by Mr. Drummond and unanimously carried to excuse Mayor Benton from today's meeting, as he is out of town.

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Motion by Mr. Perona, 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 April 7, 2009.
2. Excuse Mr. Summerhays from this meeting as he is unable to attend due to undergoing surgery on April 20<sup>th</sup>.
3. Approve budget transfer of \$80,000.00 from project 835209810 to project 835209865 for installation of approximately 350 feet of 24-inch force main along Jenkins Road in the vicinity of Edwards Road.
4. Bid 5871: Award bid to Wesco Distribution, Inc. as a sole source for purchase of three ABB/Delta padmount transformers in the total amount of \$35,181.00.
5.
  - a. Approve budget transfer of \$180,000.00 from project 835209815 (wastewater main lining) to project 835309805 (main and lateral renewals) for the rehabilitation of wastewater mains.
  - b. Bid 5898: Award bid to Mancil's Tractor Service, Inc. for asphalt repairs, which was the lowest and best responsive responsible bid in the amount of \$60,000.00 for a 6-month contract term. The contract contains two 12-month renewal options in the amount not to exceed \$120,000.00 each renewal year.

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Mrs. Nina Hurtubise, Director of Finance, presented a request to lower the Purchased Gas Adjustment.

Mrs. Hurtubise explained this reduction will be effective for the period of May 1 through May 31 and until further notice. We take a very close look every month at our over/under-recovery. We are recommending a reduction from \$.50/CCF to \$.45/CCF. That is actually less than what we are paying, but we have over-recovered and are giving back to the customers a fraction of that over-recovery. This will bring the average 13 CCF residential customer's bill to \$31.53, which excludes taxes. This also means the rate per CCF has decreased from \$1.62 to \$1.57.

Mr. Perona said Mrs. Hurtubise's comment that it is less than what we are paying makes him guess that she is so sure that gas prices are going to continue to fall, that this Board won't have to entertain a motion to raise this PGA in the next 12 months. Mrs. Hurtubise said her crystal ball is really not that good, but for the month of May we are working on hedging the price we are paying. The month of May was 74% hedged. We are pretty confident in what we are going to be paying in the very near term. We also have enough of an over-recovery

that we can leave it at the less than what we are paying price for some time period. We are looking at it from month to month. She agrees, she doesn't want to have to raise it again either. She would like to leave it at the \$.45 level and possibly bring it down even further. She doesn't want to say the gas prices are continuing to go down, but they are kind of flat. They are much less than they were this time last year.

Motion by Mr. Drummond, seconded by Mr. Perona and unanimously carried to approve the Purchased Gas Adjustment for firm service for the period of May 1, 2009, through May 31, 2009, and until further notice at +\$0.450/CCF.

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Mrs. Hurtubise presented a status report on Electric Power Cost Adjustment over/under-recovery.

We have been presenting this to the Board each month because of its volatility, and we want to keep the Board well informed. The month of March was another under-recovered month. What we are paying out is more than what we are collecting from our customers. For the month of March, we are under-recovered \$388,000, bringing our total under-recovery at this time to \$857,000. This was anticipated for this time of year. We do expect the under-recovery to turn around starting in June, and we will begin gaining ground during that timeframe through the month of September. We hope and expect the under-recovery will turn into a very small over-recovery by September. This is another item we are watching carefully each month. We will continue to bring this to the Board month by month. She believes the Board has our rate consultant's projections as to where the under and over-recovery is going to go through the end of September.

Mr. Perona said he knows we've talked about this in detail, and a big concern is our days of cash and how this may affect it. He knows Mrs. Hurtubise is looking at that closely. Maybe she can tell us what she expects and how low in days we will get. Mrs. Hurtubise said she has every expectation that we will go down to 30 days of cash. That was the minimum and the goal for the rate study. We started the year at about 42 days of cash, but she has every expectation it will go down to 30 days or even dip below that before we come out of it. You will see our cash number again when we do the presentation of the March financial statements.

Mr. Thiess said the rate consultant's projection shows us bottoming out in May at a little over \$2 million under-collection. We are riding a little bit of a roller coaster here. In June through September we start coming back up, and we are showing about a \$1 million, plus balance in September. This is a projection we re-do every month based on the most recent FMPA bill and their rate projection. We are keeping track of it very closely and are very optimistic we will be somewhere in a positive position by September.

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Mrs. Nina Hurtubise presented the January and February, 2009 financial operating results.

Our income before City distribution, capital contributions and extraordinary items is \$264,000 year-to-date. Our capital contributions are about \$2.1 million, but we do continue to experience decreases in all units billed across the board. In comparing the three years of 2009, 2008 and 2007, electric is down 8% from 2008; water is down 7%; wastewater is down

9%, and natural gas is flat, because it is less than 1% down. We have not seen a bounce back from the water restrictions. People gained good habits and have stayed with them. Operating revenues present a little bit different picture. Electric is up 12%; however, of that, the PCA is \$4.2 million for those five months. If you take out the PCA, we are actually down 3% in operating revenues from 2008 in electric. Water is pretty much flat, less than 1% down. Wastewater is up 7%. Natural gas is up 9%. The PGA does not really account for it all. It is actually the rate revenue that is driving the increase in natural gas operating revenues.

She displayed a schedule of the rolling 12 month average operating income and debt service coverage. Our minimum is 1.25 times, which we must maintain in order to be in conformance with our bond covenants. For this month, it is 2.52 times. We have less change in net assets than we did last year, because we have less revenue and contributed capital, about \$4.4 million less. We had about \$1.5 million in grant revenue last year, and we have none this year. We have more expenses. The adoption of the Other Post Employment Benefits Government Accounting Standards Board No. 45 for the first five months of the year is \$1.1 million. We accrue an equal amount each month. She displayed a picture of contributed capital for the Board to review. The \$4.4 million decrease is shown. This time last year it was about \$6.5 million. This year it is only \$2.1 million. Interestingly enough, our non-cash contributed capital has actually increased over last year. The cash contributed capital is way down. There is no new construction. Keep in mind that the non-cash contributed capital is not a spendable resource. We are required by accounting standards to report it as income; however, you can't spend non-cash contributions. Contributed capital cash, as well as Capital Improvement Charges, is restricted. We can't use them for operations.

We have had an increase in our operating revenue of \$954,000. That is in large part due to a decrease in our depreciation expense. The depreciation is mostly related to the power plant, which we don't have this year, and generation costs of \$108,000.

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Mr. Thiess introduced Mr. Nick Guarriello, Acting General Manager of FMPA, who has a presentation that addresses the possible FMPA participation in the Levy County nuclear project by Progress Energy.

Mr. Thiess said this project will go to the FMPA Executive Committee in May at the earliest, so we have at least one more meeting after this meeting, and if it goes to the June Executive Committee Meeting, we may have as many as three FPUA Board Meetings before it goes to the FMPA Executive Committee. You don't need to make any decisions this afternoon. Mr. Guarriello is going to give you his presentation of where we are today, which may be different from where we are 30 days from now, on the Levy County Project. Mr. Guarriello will also be able to answer any questions the Board may have.

Mr. Guarriello explained FMPA is looking at a potential joint ownership in a portion of Progress Energy Florida's (PEF) Levy County nuclear unit. They came to municipals and co-ops in 2007 and said they were planning to build a two unit nuclear plant in Levy County close to their current Crystal River Nuclear Plant and asked if there was any interest. At that time there were several municipals, FMPA, OUC, Lakeland, JEA, and Seminole Co-op, who expressed interest. Since that time we've been involved in negotiations with Progress Energy on the terms and conditions and costs. He is here to present where we are today.

We have had a feasibility analysis done by FMPA's consultant, R. W. Beck, which he will be sharing with the Board. We are also pretty far along in negotiating an agreement. He will be sharing some of the pros and cons and some of the benefits and risks. FMPA is not ready to make a decision on this yet. We are giving our members information, and when the time comes, you will have the information to be able to make a decision. The All Requirements Project is the one that is looking at this Levy County project. Those 15 members will have to vote if they want to get into the project.

Mr. Guarriello explained that Progress Energy Florida is going to be the owner of the power plant. There are two units called Levy County I and II. There will be approximately 2,184 megawatts, or roughly 1,100 megawatts from each unit. The current Crystal River unit is 880 megawatts. The in-service dates projected right now are 2016 and 2017. There is a long licensing period and a long construction period for nuclear units. It is different from the combined cycle unit here in Fort Pierce that took about three years. FPL is also looking to build two nuclear units called Turkey Point 6 and 7. They will be installed at their current Turkey Point plant where they currently have two other nuclear units. Their in-service dates are 2018 and 2020. When the time comes they will also potentially offer a portion of those units to the municipals and the co-ops. We have been talking to some third party developers, but those are further out and not as likely.

Mr. Guarriello explained some of the pros and cons of why we are looking at nuclear. You might know that FMPA's generation mix right now includes a little bit of nuclear in St. Lucie and Crystal River. We have some coal in the Stanton Energy Center. Most of the rest of our generation is natural gas generation, including Treasure Coast and some units at Cane Island and in Key West. We also have purchased power. We are looking at nuclear to diversify our resources. We need some more base load generation, generation that runs more around the clock like our coal units and current nuclear units do. Even some of our gas is running a lot, but we would rather have a base load like a nuclear/coal unit at a much lower energy cost. You have been reading a lot in the paper about greenhouse gases and the concern about global warming. There is legislation being proposed every day with some of it moving through Congress right now to put some controls on greenhouse gasses, either a greenhouse gas tax or a cap and trade, which would increase the cost of coal generation and gas generation. Nuclear generation emits zero carbon or zero greenhouse gases. It helps our energy independence as far as not relying so much on the middle east for oil and others for gas. We have plenty of coal here in the United States. More than 50% of the nuclear fuel is generated by some of our allies in Australia and Canada. They produce more than 50% of the uranium. It gives us a little more independence and lets us be in a more competitive position if we can diversify and get a different mix.

Of course, there is a risk. There is a project development risk. The project hasn't turned the first piece of earth yet. They are starting the permitting process with the Nuclear Regulatory Commission (NRC). It can take up to four years. They have made their filing, but have really not gotten started. In the past you first had to get a construction license from the NRC to go ahead and build the unit and then get an operating license. Now they give you a combined operating/construction license. You know if you get a construction license, you will be able to operate. It still takes up to four years. You have potential cost increases. It will take 8 years to get this into commercial operation. There could be unit delays, unit cancellation. These are very expensive units. We will have to weigh these things and look at the economics.

In negotiating the contract we tried to do something called risk mitigation to protect us against some of those cons we were mentioning. They are asking us for an option payment as soon as we sign the documents of about \$2.5 million. Before we close if for any reason we want to terminate, we can terminate. It will be about two months before closing. If something happens, we can terminate and get our money back. After closing, but before the NRC issues their license, if we decide we do not want to participate in the unit or if they cancel the unit or the project, they will offer us the same opportunity in a future base load unit. We won't get our money back, but will get an option to participate. They won't get their money back either. We are in this as partners. We were concerned if they cancelled one unit. By building two units you spread all the common costs. About 25% of all the costs are common costs. That would all have to go with the first unit, which would make it more expensive and would change the economics of participating in one unit, but they have agreed if they do that, we can get 75% of our money back. We have some protection there. If we determine at some point that the costs are too much in six months or a year, we can just get out. We don't get our money back. We wanted some protection if things went away from where we felt they should be. PEF has control of building and operating the units.

Mrs. Cully asked if that means at any time, you can get your money back. Mr. Guarriello said no. At any time we can get out. We don't get our money back. We don't get back whatever we have already given them. If they cancel both units, we get a chance to participate in future base load generation. If they cancel one unit, we get 75% of our money back if we want it. It is our option. Once we give them the \$2.6 million and close, we give them another \$20 million. When we get to the end we are going to be putting up a lot more than that. Our total cost is going to be \$480 million.

Mr. Perona said in watching a lot of the power plants, it seems like the change in government attitude sometimes comes down like it did to us before, and all of a sudden all our work and efforts are abandoned. What susceptibility does this project have to a change in that attitude on a government level? Mr. Guarriello said you know what happened with coal. FMPA wanted to build a coal unit in Taylor County. That project involved FMPA, Tallahassee, JEA, and Reedy Creek. We had an option on land and were pretty close to getting our certificate of need, and Governor Crist came into office and said he did not want coal in this state. We had to cancel our unit. It cost the group about \$4 million. We had a share of that. We weren't very far along. Southern and OUC were going to build a coal unit, and they cancelled that. Tampa Electric cancelled their coal unit. It cost them a lot more, as they were further along. For something like this if we get a license from NRC, he thinks we will be able to build the unit. Will we complete it? It depends on what happens if there is another TMI or Chernobyl. Right now the public is more in favor of nuclear because of the safety record. In France 85% of their energy is nuclear. Mr. Perona said in a lot of the FMPA meetings they are talking about fast tracking. He guesses fast tracking means ten to twelve years. Mr. Guarriello said they started in 2008, and the beginning of 2016 is eight years. That's fast tracking. Mr. Perona said in eight years anything can happen. You could have some disaster that would make nuclear very unpopular. Then you trade off the greenhouse gases for something that's safe, and we will be back to that. He is trying to get that straight in his head. Mr. Guarriello thinks coal units will be built again, but they are looking for clean coal, and the technology is not there yet. There are still some coal units being permitted and built in the midwest and west. Even they are concerned with the change in administration. EPA has come down on some coal units and said they need to re-look at those. You can't just keep building gas. You know what has happened to our fuel costs, because 50% of our cost is fuel and 70% (of our

generation) is gas. We are not getting a big piece of the proposed nuclear units. We are trying to spread our risks. Progress is going to build, and FPL is going to build. They are the competition. If they build and it is a real success and we are not in it, our rates will be higher. We'll take a piece and make sure we're not taking more than they're taking. That is one of the ways to balance our risk.

Mr. Guarriello said if they are building it, and they decide they want to cancel it, we could buy them out at 75% of their cost. We can't, but if we had somebody like Southern that wanted to build in this state, which they do, they might say they will come in and build it and operate it for you and take half of it. We just wanted some options.

Utilities that are currently interested as minority owners are Seminole, FMPA, and OUC. OUC on first reading in December, approved their ownership. They are waiting to see the final facts. Seminole and FMPA are waiting to get everything before we bring it to the Board. Our potential share of all three is about 20% or 437 megawatts out of the 2,200 megawatts. ARP is looking at about 90 megawatts. The installed cost is almost \$7,400 per kilowatt. That is compared to Treasure Coast, which was \$890 per kilowatt. We would have to issue about \$661 million in bonds. Right now the Agency's All Requirements Bonds are about \$900 million.

There is a lot of transmission involved in building these units. We finally agreed with Progress Energy that we are not going to pay a share of that. They will put it in their rate. We would pay it one way or the other, and we don't have to issue capital for that. They agreed to put it in their rate.

Seminole is taking the biggest piece, about 262 megawatts. OUC and FMPA are taking about the same, between 85 and 90 megawatts. Seminole's load is more than ours, but they also wanted a bigger share of the total. Our philosophy has always been that we don't want to own more than Progress. Progress's share of their total energy will be about 23%; Seminole is about 10% and FMPA and OUC is about 9%. Progress is looking to sell some more. They are talking to someone else and didn't tell us who. We said we don't want you going down to where you have a lesser percent, so we put in the contract that Progress cannot go below 35% ownership. We said if you do, we have right of first refusal. If they are going to sell some to Southern, they can sell some of ours to Southern. We will tag along if they are going below 35%. They have agreed to that, and it is in the contract.

The load forecast we had before the economic changes that occurred beginning last September with the recession, shows our generation mix and FMPA's load for 15 cities was growing about 2.1%. We just completed a new load forecast in the last two months showing the load going down 1.7%. We don't need as much generation. We still need generation when we get out to 2013. That could change. We are too far along with Cane Island IV to stop, so we are going to continue that. It still shows in 2016 and 2017 we will need new generation even with the new forecast. The nuclear would still fit.

Mrs. Cully said we will need more load in 2017. Is that because of population? Mr. Guarriello said our load will still be growing at a much lower rate and more usage. There will be building again. It's a pretty low projection. Mr. Perona asked if we weren't looking at this particular project, would we have to be looking at something pretty soon? Mr. Guarriello said, actually, no. In the new load forecast the slide shows the green as Cane Island IV. New units will

come on in 2011. In 2011 we only need a little bit. It is too late to delay Cane Island IV. We are too committed. We have bought equipment, etc. We feel the load is going to increase some more, and the economy will turn around at some point. We should also be able to sell some of that. It is going to be one of the most efficient gas units in Florida. By 2013 we need almost all of it. In 2017, we need more. We were looking at putting in a peaking unit in 2014, maybe another unit at Treasure Coast or Cane Island. Right now we've put that on hold, but those units could be built in two years. Mrs. Cully said the natural gas unit at Cane Island is susceptible, as are the other gas units, to the increase in fuel. Mr. Guarriello said yes. Mrs. Cully said from what she has been reading, that will continue to go up as the years go on. Mr. Guarriello said right now, everybody looks at gas prices as being pretty stable. Last July they hit close to \$13.00 to \$14.00 and that is when we started hedging. You know what happened there. Mrs. Cully said we never anticipated it would ever come down to \$3.50 either. Mr. Guarriello said projections are correct now unless we have some bad hurricanes. There will be a lot more supply than demand. We are looking at November prices right now at \$4.80 and maybe getting into \$5.00 in January or February of next year. We are doing a little more hedging right now. We are much more conservative. If you can get \$4.80 gas, you can't do much wrong. We are doing it a little differently, too. We are doing what is known as a "call".

Mr. Guarriello said R. W. Beck did a Busbar Risk Analysis for FMPA. It looks at several different things at the same time. It looked at environmental costs, replacement costs, fuel costs, fixed costs going up or down, and it is trying to show you that nuclear has the least risk. Greenhouse gas legislation affects gas units, too, but about 55% as much as it affects coal units. Even at our load forecast in 2010, NIMEX is saying gas will be in the \$7.00 range. Gas is projected to continue to go up from there. R. W. Beck also did an Economic Assessment of CO<sub>2</sub> Allowance Price Range that could be added to your coal plant's fuel cost. There is a huge range depending upon which bill is passed and how the government will subsidize the allowances and how many free allowances they are going to give out.

For nuclear, the major cost is in the capital costs, while on the energy cost, it's lower. It is only \$12.00, and coal is \$39.00. Treasure Coast is \$76. Nuclear has the lowest total cost except for coal. We can't build coal. When you look at just nuclear and gas, nuclear is somewhat less expensive. R. W. Beck compared buying 90 megawatts of Levy; buying only 50 megawatts of Levy, compared to building another Treasure Coast or another combustion turbine like is in Key West. If we buy 90 megawatts of Levy over the 32 year study period, we could save about \$177 million. When compared to building another Treasure Coast or Cane Island, it would save us about \$268 million over 32 years. There would be a 1.7% saving or about \$2 per megawatt hour. It is not a significant amount, but \$268 million is \$268 million in anyone's book. From a financial standpoint it looks like it is a feasible option, but you have to consider the risks. In 2020, your rate would be about \$125 per megawatt hour, but if you built another Cane Island IV, it would be about \$127 per megawatt hour. That is about a \$2 per megawatt hour savings. Nothing we do will provide a big savings. You just have to keep doing things to diversify fuel and get \$2 here and \$2 there to help bring down your cost and manage your fuel costs.

We will be asking members to vote on whether or not you want to capitalize all your interest when we issue the bonds. You could start paying the interest on those bonds immediately, which means you would have to issue less bonds, but you have to start raising rates immediately, or you capitalize the costs as we have done in the past for all of our generation,

and you don't start paying until the unit comes on line and you get the benefit. Then, you have to issue more bonds, and the cost will be higher when you get there. If you were not to capitalize the interest, it would save you \$26 million over 32 years. If you issue bonds in 2009, in 2010 you will have to raise rates all the way out to 2017. When you get to 2017 you will have a little lower rates than you would have if you had capitalized the interest. You have to make a decision if you want to pay now, when you are not getting the benefits or start paying when you get the benefits. In the past the Agency has capitalized their interest.

Mrs. Cully asked when do we break even? Mr. Guarriello said in 2017 you start saving money and you keep saving. It's a tough decision to make, taking this risk for 8 years from now. You could sit back, because you are not going to save anything right away, and avoid those risks, but come 2016, and you haven't done it, and everybody else has done it, you could be sitting here with all gas and nothing else. That would be a bigger risk. You have to plan ahead, but how much do you plan ahead?

If regulated CO<sub>2</sub> comes about, it does not affect nuclear generation. Neither cap and trade nor the CO<sub>2</sub> tax affect nuclear generation. Anything we are doing is going to be in small pieces. If gas prices come down more than we are projecting, the \$268 million goes down to \$137 million. Gas is much more volatile and the question is, will it stay that low for a long period of time?

From the legal perspective, the economics of the deal will control the ultimate decision. We are working on three principal documents. We have pretty much ironed out everything in the Joint Ownership Agreement. It is close to being complete. We are still working on an O&M Agreement. We just got started on that about a month ago. That will be with us for the life of the unit, so we have some things we have to work on. Some of the things we have in the Joint Ownership Agreement will give us some protection, but since PEF will own the majority of it, they will control most of the decisions. There are some things we have input on, but we also have some things that give us some outs. The third agreement is the Transmission Interconnection Agreement. We were planning to finalize all the agreements at the end of March. He was supposed to bring this to the Executive Committee this Thursday for a vote. Progress Energy has slowed it down quite a bit, which we are happy about, because we don't want to put up the money until we have all the facts.

There was legislation last year that would allow any utility building a nuclear unit in the State of Florida to start putting that cost in their rates immediately. PEF could start collecting from their customers any costs they were spending until the point they started turning dirt, which would probably be around 2012 or 2013, so millions and billions of dollars in costs could be put through to their ratepayers. The legislature passed that. In November the PSC approved an increase in PEF's rates at \$25 per kilowatt hour. About \$11 or \$12 of that was due to the nuclear project. They were back in March for an additional increase. Several legislators said they didn't know that was what it meant, that PEF was going to increase the rates that much because of the nuclear unit. Even Lee Constantine, one of the sponsors of the bill, said we need to look at this. PEF is up there now trying to convince the legislature not to change it, that they need that to build this type of unit. Their argument is they can't afford to absorb all the costs. It is very important for us to know if PEF will win that argument, because we would feel more comfortable that they are going to be able to get this unit built. We don't want to give them any money and then they cancel it, and we can't get our money back. They are not pushing us to move ahead right now. They are also trying to get some legislation to help

them finance the units. They won't push us until after the legislation is over. We told them we will not sign anything until we know where that stands. The schedule has slipped.

At the point where we are ready to sign, they want us to put up an option payment of \$2.6 million. When we are ready to close, we have to put up a total of about \$20 million. Over the life to get to 2016, we would have to pay them about \$483 million. That would be our share. We would have to issue about \$661 million worth of bonds if we capitalize all the interest. The 15 members of ARP will have to say if they want to go ahead with this project. If you do, we have to issue bonds within 60 days, probably about \$50 to \$100 million worth of bonds to carry us for a year or two, and long term, about \$661 million worth of bonds. He will make the same presentation, updated, to the Agency. He did a similar presentation two months ago to the Executive Committee to get them thinking about it. He has been to several cities. He was at Green Cove Springs last week and Ocala the week before. He was also at Newberry. Your representative to the Executive Committee will vote.

Mr. Drummond said we have been hearing from our staff that all the efforts are being made to get us a lot more competitive with the investor owned utilities. How will this impact that ability if we go forward, and we do have to issue the bonds if there is some happy medium in terms of exactly what point we are going to increase the rates? How is that going to affect our hopefully, downward movement on rates. Mr. Guarriello said if you were to issue bonds and capitalize all the interest, it would not affect the rates at all one way or the other. The effect would come when the unit went on line. If our projections are right, it would be a positive effect. That would be in 2016. It can't affect the rates positively, because it doesn't come on line until 2016. There are other things we are doing to try to get you more competitive in the future. Mr. Drummond said, so it won't have any impact on the other items you are working on to continue to bring down the rates. Mr. Guarriello said no, not this project, unless you as a group decide we want low costs in 2016 and not capitalize the interest and start paying it now. That would have a negative impact on your rates. That will be the decision of the 15 cities.

Mr. Perona said over the 7 years or so that he's been on this Board he has attended several workshops and meetings, especially at APPA, and he has always found it interesting. In his short utility career, he remembers a few of the workshops had to deal with nuclear, and there were about five people in them when he first started, and now those workshops are filled up, and the coal and others are getting thinner and thinner. It tells him the industry itself is volatile. Everybody has a better idea, and since these things take so many years to put on line and get the benefit out of it, he was wondering from the standing of FMPA, what type of mix would be ultimate. What are you really trying to do to make it all work out in the future? If we really had to orchestrate the best mix in the next ten years, where would you be?

Mr. Guarriello said you look at your load curve and in that bottom part, we want the cheapest fuel cost running. We want base load, so we want some nuclear or coal down there. In the middle is where you could have your very efficient gas units like Treasure Coast and Cane Island. In the top you put the peaking units like we have in Key West. They don't run very much and are very cheap on capital costs. We don't care that they are very inefficient. When we look at a mix, we look at what is going to run a lot, what's in the middle and what's at the top. We don't have that much base. We have to use gas units, which are pretty efficient. If they are at \$2.00, it would be okay having them down there, but when they are at \$6, \$7 or \$8, even as efficient as Treasure Coast is or Cane Island IV is going to be, it is not efficient.

Ten years from now, he thinks we need that mix. There is nothing he can see on the horizon that is going to be new, that new miracle source of power. Mr. Perona said wind and solar are too expensive right now. Mr. Guarriello said we are looking at solar, and we are going to look at biomass. We have to, because it looks like legislation will pass next year on renewables. Gainesville put in a feed-through tariff where if anybody wants to build solar or put solar on their roof, they pay them 32.5 cents or \$325.00 per kilowatt. We were showing \$82, \$86 and even \$100, plus, for the gas units. Gainesville was oversubscribed in two weeks at that price. We are talking to a solar manufacturer in about the same range. We have talked to Biomass, around \$160 or \$170. These are renewables and if renewables pass, you are going to have to do it. We will have to add some of it, but it is not going to bring your price down. It will have the opposite effect until it becomes more available and there is more demand for it. Hydrogen is a long, long way off. We will keep looking at the mix of nuclear, coal and gas and some peaking capacity. We have to try to diversify, so when gas prices go up, we are not too dependent on gas. If coal changes, we will have that mix. Progress is lower than we are. TECO is lower, and Seminole is even lower than that, because they have more coal. If greenhouse gas legislation comes in, it will start to flip. That's the reality and that's where we are, and that's why we're going to keep looking.

Mrs. Cully thanked Mr. Guarriello for his presentation.

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Mr. Thiess said at our last Board Meeting the Board made a motion, which was unanimously carried, to prepare a resolution stating the area north of Midway Road is in Fort Pierce Utilities Authority's service territory. That was done in response to some recent movement on the Port St. Lucie side to claim the triangle between the Turnpike, Midway Road and Okeechobee Road as their service territory. Mr. Koblegard drafted the resolution proposed tonight. It is brief and to the point. It addresses that point very precisely.

Mr. Perona said he thinks his words were "stating the obvious," and Mr. Koblegard drafted exactly that. It speaks well to our exact intent, and it does refer to everything that has already been agreed to.

Motion by Mr. Perona, seconded by Mr. Drummond and unanimously carried to adopt Resolution UA 2009-09 setting forth FPUA's position on proposed water and wastewater service by the City of Port St. Lucie to areas north of Midway Road.

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Mr. Thiess said he would like to echo the comments the Board made regarding the awards that were presented at the beginning of the meeting. The number of awards that come before this group, safety awards, excellence in reporting on the financials, and the four that came today represent a lot of work on the part our staff to keep their eye on the ball and keep safety and reliability in the forefront every day, 365 days per year. Again, he appreciates the staff's work on that, and it is a continuing effort. You will see more of these to come, and he thinks there is one in the works to come in the next week or two. It is a job very well done.

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Mr. Koblegard said in relation to the resolution, he did talk to Dan McIntyre, and he was told that the Provinces has either withdrawn or tabled their request for annexation into Port St. Lucie at this time. He thinks they have met with the City of Fort Pierce since then, and he is

not sure what happened at that meeting. If the Mayor was here, he might know more about it. We also are meeting with the County next Wednesday about utility issues and the bulk water/wastewater agreement.

Mrs. Cully asked if the meeting will be just about the Provinces. Mr. Koblegard said no. We are also talking about the agreement we negotiated with the County in 2004 and where we need to go with it.

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There being no further business, the meeting was adjourned.

ATTEST:

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Secretary

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Chairman