

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, AUGUST 3, 2010, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman, Robert W. Summerhays, Jr.; Vice Chairman, Darrell Drummond; Secretary, Pamela K. Cully; Deputy Secretary, Michael A. Perri, Jr.; Mayor Robert J. Benton III, and Anne Satterlee, Ex-Officio Member/Acting City Manager.

Others present: William G. Thiess, Director of Utilities; Rupert N. Koblegard, III, FPUA Attorney; Nina Hurtubise, Director of Finance; Thomas W. Richards, Director Electric and Gas Systems; Douglas W. Giel, Manager of Special Projects; Nancy Dallaire, Risk Manager; and Putnam Moreman, IV, Internal Auditor.

The meeting was called to order by Chairman Summerhays.

The Invocation was given by Wilmari Hamilton, Pastor of Teen Ministries at Oleander Avenue Church of God

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Marty Laven of 2400 South Ocean Drive, Unit V1115 said as a member of both the Marine and Renewable Energy Industries, he wanted to revert back to a conversation he had with Mr. Thiess a couple of years back about a client he had in the area that was going to put together the first green marina in the State of Florida. He said there are several and one at the time in California. Mr. Laven said one of the folks in his industry just completed a solar insulation at Anglers Avenue Marine Center in Dania Beach, Florida and he handed out a picture of the Marina with solar panels on a storage building and specifications on the back. He said that a lot of folks know what is going on in Broward and even without the supposed \$100,000 that might of come from the State of Florida for this project, it is a success. Unfortunately the 41 million in funding for 11,000 residences and businesses is also uncertain, which is a grave concern to those that are solar contractors and to the residents. It still would be a return on the investment for these folks in a period of about five years at an installed price of about \$5.60 per watt including the structure. Mr. Laven said the reason he brings that up is to let the Board know there is a light at the end of the tunnel when it comes to lowering the costs of solar and the fact that something like this boat port can easily be a carport or perhaps have electric vehicles there to be charged. They could do these on parking lots, as well. He said he is not promoting his firm or the folks in his business. He is saying it is happening and something they have an opportunity to do as well. In light of the recent news articles locally about the Green Mile, Mr. Laven said he wanted to bring up a few quick items for everyone's consideration as the City, the County, this region, and certainly the municipal utility and others talk about energy efficiency. There is a lot of great opportunity, but also a lot of work to be done. Whether he is talking about energy efficiency, energy production, or energy conservation, FPUA has always done a great job with rebates and water conservation the best they can, but he believes there is

a real challenge right now. He said he does not challenge FPUA so much as he is hopeful that FPUA will partner and participate on these exciting initiatives. Mr. Laven said folks in his industry are here to be of service. He said he cannot stay for this meeting because he is heading for the Green Building Council of the Treasure Coast Builders where they talk about these things. He thanked FPUA for their efforts in the past and wanted to encourage them to do what they can when it comes to efficiency, production, and conservation. Mr. Laven said they have much larger political issues that may keep them from moving forward, things like feed-in tariffs, renewable portfolios standards and rebates; but this example shows what can be done now. It can be a money maker, and it can be a money saver. He said right now with an economy like ours, it is a lot easier to save a buck to make a buck.

A motion was made by Mayor Benton, seconded by Mrs. Cully, and unanimously carried to approve the items listed on the Consent Agenda:

1. Approval of the Minutes of the Regular Meeting of July 20, 2010.
2. Approval of the Replacement of the Reverse Osmosis Plant's Chemical Feed Lines Project with a budget transfer of \$66,000 and the authorization of the Unit Price Contractor to complete the construction for this project at a "Not to Exceed" amount of \$60,000.
3. Approval of the purchase of two 1000 kVA 480/277 volt stainless steel transformers from CG Power Systems through Florida Municipal Power Agency bidding process, for \$29,189.00 each, a total of \$58,378.00.

A letter was received from Rachel A. Smith of the U.S. Army thanking FPUA employees for the care package sent to her.

Nina Hurtubise, Finance Director, presented Resolution No. U.A. 2010-06 adopting the Annual Budget for the Fiscal Year ending September 30, 2011 and amending the FY 2010 Budget. She said it is with great pleasure and quite a bit of pride that she presents it to the Board because a lot of hours went into it and is proud of the work and the people that contributed to the report. It is a great effort each year. Ms. Hurtubise said the Revenues are down about 3% as compared to the original FY 2010 Budget, O&M Expenses are down about 3%, and the Capital has increased due to our Comprehensive Community Infrastructure Project (CCIP). This is a project which is expected to be funded 87% with grant funding as well as Contribution in Aid. If the grant is not received, the Capital Budget will be reduced by \$5.9 million and that would result in a 19.6% decrease from the \$18 million as shown in the FY 2010 Amended Budget. She said this presentation is very similar to the presentation that was provided about a month ago when the Capital and O&M Budgets were done. The table displayed shows the comparison of the original budgets over the last four years and how little they have changed when you look at the Rate Funded Budget and not Capital Budget

funded by developers, contribution in aid, or Capital Improvement Charges. Ms. Hurtubise said when the budget process was started, the Department Heads were provided targets and in total they have been met so we do not anticipate any rate increases in the upcoming year. She said we budgeted with no decrease in services to our customers, no reduction in lobby hours, and we will continue to do reconnections after hours. If we are forced to do additional cuts, those sorts of decreases in services are a real possibility. We are holding back where we can and we do that every day. Since 2008, there has been a 31% decrease in the Rate Funded Capital Spending, a 3% decrease in both the Purchases for Resale as well as the Rate Funded O&M. The Total Revenues are down. Sales Revenues which are not controllable, are projected to be fairly flat. We were looking at \$108 million originally; it is going to be \$106 million when we get to the end of this year and even the end of next year. The Non-Operating Revenues are from grants. The original 2010 Budget had some grants that we did not receive so they came out. In 2011, we put them back in again with the hopes that we do receive them. The Cash Contributed Capital includes revenues from the Fort Pierce Redevelopment Agency (FPRA), the Treasure Coast Education Research and Development Authority (TCERDA), as well as some other areas of contribution which may or may not be received. If we do not receive the revenue, we will not be doing the project. The Total Revenues are a comparison of the budgets to prior year actuals so we can get an idea as to the peak we saw in 2008 and they have gone down quite a bit. The charts show less consumption which is the line in the middle of the graph and the revenues are pretty much flat as well the consumption is flat. Electric, water, and wastewater are all very similar and gas consumption is expected to increase a little bit. Ms. Hurtubise said the Distribution to the City of Fort Pierce is based on the revenue that we bring in. It is based on the 6% of gross revenue formula and it is pretty flat at about \$4,850,000 for what was paid this year in 2010 as well as what is expected to be paid next year in 2011 for 2010 and in 2012 based on 2011. Operation and Maintenance Expenses are a comparison of some of the originals versus the actuals. We are pretty much on target of what the original budgets looked like versus how the actuals actually turned out. The Purchases for Resale are fairly level from year to year. Some of the big changes from 2010 to 2011 are the 3% decrease in the salaries and wages in overtime. We have held another eight positions vacant as employees have left and that brings the total positions held vacant to thirteen. We are accruing a great deal of savings due to some of our employees that have entered the drop program. We are saving over \$100,000 each year in employer retirement contributions. Ms. Hurtubise said the number of full time positions is gradually decreasing. She said the Capital Budget at \$20,565,345 is slightly above the 2010, but if we do not receive the grant for the Comprehensive Community Infrastructure Project (CCIP), we will have a decrease of about \$3.5 million compared to 2010. To give a perspective of how much of the budget the CCIP represents, it is less than what the Electric System is expected to spend, but is almost as much as the water and wastewater combined. The historical information shows how different the Capital Budget is than the O&M in that the amounts that are originally budgeted do usually exceed what is actually spent from year to year. In 2008, we budgeted \$48 million and we are budgeted at about \$20 million in 2011. There is not much in the way of major Capital Projects, the CCIP grant and South A1A is an ongoing project that we hope to finish in 2011. There is additional narrative on pages 125 through 127 of this document and there is a complete listing of all the Capital

Projects on pages 128 through 131. Of the \$20 million of the Capital Budget, \$8.6 million is required by various outside agencies and it is anticipated to be funded by \$9.2 million of rates. Most of the other sources, if we do not see those sources come through, those funds will most likely not be spent. Ms. Hurtubise said she is requesting that Resolution 2010-06 be approved and in the event that this is approved, the budget will be posted to FPUA.com. If it is approved today, it will be taken to the City of Fort Pierce Commission on August 16th.

Mr. Drummond said it was indicated that we would not adjust or amend the Capital Budget, but do we have a sense of where it is trending at this point?

Ms. Hurtubise said we will be doing the June financials at the next meeting and we will know where we are because it is three quarters of the way through the year.

Mayor Benton said he wanted to know, for the record for the people watching, there is no pay increase this year in this budget.

Ms. Hurtubise said there are no pay increases in this budget anywhere. She said we have not allocated the contingency for it as we have in years past.

Mayor Benton said he did not want any misinformation going around and wanted to make it clear for the public. He said he hears stories all the time that we have all these people making these huge salaries. They look at some of the other areas in the County, but between the City of Fort Pierce and FPUA we do not see those multi over \$100,000 a year salaries.

A motion was made by Mr. Perri, seconded by Mayor Benton, and unanimously carried to approve Resolution No. U.A. 2010-06, adopting the Annual Budget for the Fiscal Year ended September 30, 2011 and amending the FY 2010 Budget.

Mr. Thiess said that he wanted to announce that Tom Richards was elected as Chairman of the Executive Committee of the All Requirements Project at FMPA for another term. Mr. Thiess said Mike Perri and Pam Cully have been attending a lot of these meetings with him and there is a lot of change going on up there. He said that organization is moving toward a competitive posture, not as quick as we would like, but we are getting there.

Mr. Summerhays said congratulations to Mr. Richards.

Mr. Thiess said last night the Fort Pierce Redevelopment Agency Board approved \$500,000 to start the Phase I A1A project, which will pick up at the fire station where the current Phase II left off, and go down Seaway and back south on A1A to Gulfstream. We will start purchasing materials with the \$500,000. The back payment of \$516,000 was also approved. Mr. Thiess said he does not know when the starting date is.

Mayor Benton said that at the City Commission meeting last night he entertained some discussion about some conversations he has had with a Florida Power & Light (FPL) representative and he wanted to bring it to this Board as he brought it to that Board. He said he has brought it up at a few of the previous City Commission meetings. Mayor Benton said he has had some discussions with a representative of FPL and has asked for a copy of our contract with FMPA for the All Requirements Project. He said with the discrepancy of the rates, we have to look at our options and it may not be an option, but he would like FPL to take a look at the contracts and see what they can put on the table, if anything. He was requested by the FPL representative to put something in writing from himself and he has support from the City Commission to take a look at it and was hoping to have the support of the majority of this Board. Mayor Benton said he wants to be up front with everybody and because of the discrepancy in rates when looking at \$96 a few months ago for 1,000 kWh and \$140 now. He said he believes they have no choice but to look into what options they have. Being that FPUA does not make power anymore, he wanted to make it clear he is not looking at doing away with FPUA. He is looking at if we can buy power from a different source a lot cheaper. Because in the last 4 ½ years, not only this organization, but the 300 employees that we have are being abused, not only by the City Commission, but by a lot of the public because of the misinformation about the rates. It is not FPUA's fault the rates are what they are. There are several reasons why, but he said he is sick of watching these people in the field getting abused by the public and he has brought a couple of commissioners on board to understand the problem is not with FPUA. Our problem in the last few years has been with FMPA. Mayor Benton said he is hoping he will have the support of a few FPUA Board Members, if not all, to talk to FPL.

Mr. Drummond said he is curious as to what the Mayor is asking for, a letter?

Mayor Benton said he is putting a letter together because FPL said before they put any effort forward, they want a letter. He said the talks he has had so far, because they would take a very close look at the contract we have and because the buyout is way up there, it is not like Vero Beach as some people think. Before they will put the effort in, they want to know that there is interest on this Board and on the City Commission. Mayor Benton said he will be putting that letter together because last night the City Commission unanimously said to look at the options. He said this could be a long road and may not be an option, but it is up to us because of the discrepancy in the rates to see what is out there.

Mr. Drummond said he would certainly want to see what the letter will look like, personally before we would endorse something. He is never opposed to, for our benefit as well as the public, any information that puts a clear light in terms of what our costs are and what is out there and available. Sometimes a result of not having full disclosure is that individuals make assumptions of what the costs are. In terms of something formal, he would want to see what the letter is asking of us.

Mayor Benton said the letter is coming from him, but he will see that everybody gets a copy of it. He just wanted to make sure there was interest and if he has the support, he

can get the letter in front of this Board at the next meeting. The letter is not tying anybody to anything; it is just saying make us a presentation.

Mr. Drummond said the only reason he would like to see something formal is because anything that FPL would be submitting would be what they would be offering. There would still be a tremendous amount of other things we would have to look at in terms of the costs as it relates to our relationship to FMPA. He wants to be sure that whatever is looked at is comprehensive.

Mayor Benton said it may not even be an option because of the numbers, but because it has not been done yet and is being done other places, he would like to take a look at it.

Mrs. Cully said she agrees with Mr. Drummond and would be willing to take a look at what they have to say, but she would not give her support at this time. She said it is a short term solution that Mayor Benton is looking at and we have a long term contract with FMPA. They have worked hard to try to get back where they were in being competitive. Mrs. Cully said she does not want her money as a rate payer going to the [FPL] shareholders. We have a good public utility here, reliability that we cannot count on FPL for during hurricanes and things like that. She is uncomfortable with it because Vero Beach is leaning in that direction and FPL would like to come on down and take care of all of us.

Mayor Benton said he is not saying to get rid of our transmission people. He is saying to pull the plug on where we receive power from the grid and receive it from FPL.

Mrs. Cully said we would still be paying the shareholders.

Mayor Benton said we would still be paying the transfer. We would be receiving power at a certain price and if that price is less, then their shareholders win and they pay a big tax in St. Lucie County. He is not going to bat for them, but knows the difference is so wide. In a short period of time, he has a feeling from what he has read of what could be coming down the pike with the electric industry. Unfortunately, it is leading to the bigger companies and it is going to make it tough for the small guys, which we are a part of. We do not make power any more so we are crippled there. All he wants to do is see if there are any options and he will bring the letter back at the next Board meeting to show what will go to them and hopefully will have this Board's support. If not, he will still be talking to FPL.

Mr. Perri said from what he has been reading and what he has gathered since he has been on this Board, is that the financial consequences of us getting power from anybody but FMPA would be unsustainable for FPUA. He believes the City is on the hook for that money also. Mr. Perri asked if FPL could lower the rate enough to compensate for that hit we would have to take. Certainly we could not float a bond to pay for indebtedness without some kind of production or ability to be able to pay the bond back. It appears we are beating a dead horse here.

Mayor Benton said we could be, but then we would be putting it to rest.

Mr. Perri said he has no problem with that. He said for years up until 2006 or 2007 we were very competitive with FPL. Right now FPL is trying to manipulate their transmission tariff and Florida Municipal Power Agency (FMPA) is going to bat and taking them to task and they will have a settlement conference on that very soon. FPL and maybe Progress Energy, the investor-owned utilities, they are trying to squeeze out all the other utilities and get the giant share of the profit for their shareholders, like Mrs. Cully said. Mr. Perri said he certainly is not for that.

Mayor Benton said one way or the other it puts the question to rest because of the 15 years he has been involved with the City, in the past there was no need to do this. Because of what is going on so close to home in Vero Beach, and unfortunately we try to explain that we cannot compare the two because Vero Beach still makes power and we do not. He said there is a little bit of difference there and the options and the costs we do not bring anything to the table other than a pretty big contract. That is why FPL would prefer a letter instead of just trying to put something together. Mayor Benton said he has a feeling the numbers are going to be so staggering that we will not want to consider it at all, but he would rather see something in writing so we could put it to bed right now.

Mr. Summerhays said he tends to agree with what has been said by all three Directors here and in addition he notes with interest that FPL has gone to the table three times trying to raise their rates. Only an intensely anti-business Public Service Commission kept them from doing that. They now have the lowest rates of any IOU's in Florida and he does not think it is going to last. The Public Service Commission has been reconstituted and they may actually let them make a profit, which means those rates are going to come up. They are artificially low and you really cannot compare to them. Mr. Summerhays said he does not have a problem with looking and we would have to be a fool not to look, but that is all we are doing is looking. The support from him is tentative at best. He does not think they are going to do anything for us, but it would be foolish to not to at least ask.

Mayor Benton said he does not have high expectations, but his discussions with this representative because of her knowledge of our agreements, would like to see it in writing. We know that the numbers would be staggering because if we were looking at something like Vero Beach, you could put a service charge on for five years, if the public and this Board wanted that. We do not have that ability because the service charge would bring our rates up to what they are now or more.

Mr. Summerhays said he thinks Vero Beach has jumped out of the frying pan into the fire.

Mrs. Cully said she wants to ask a question of Mr. Thiess. She had seen in the Commission minutes that Vero Beach still makes power, but do they really make that much power with that old unit?

August 3, 2010

Page 8

Mr. Thiess said he believes their contract with Orlando Utilities Commission has them maintain that power plant ready to serve for peaking power. As far as running routine run of the mill generation, they are pulling all of that out of Orlando and the contract requires them to keep that plant ready to go for peaking power. He said it is their liability, if they go down, as far as he knows, they have to repair that plant and get it back up and running.

Mr. Summerhays said not only is that plant as old as our King Plant was, but isn't it the same brand and model.

Mr. Thiess said there are some of their units that were identical to ours.

Mr. Summerhays said the one that blew up twice.

Mr. Thiess said he agrees that there is no harm at looking at this. The ARP contract is a pretty iron clad contract and we have discussed the ways to get out. The Contract Rate of Delivery is one way and that is the way Vero Beach got out. They got out with the Contract Rate of Delivery that calculated to zero because their generation assets were greater than their peak in the last month of the five-year period leading up to them leaving.

Mr. Summerhays said they had to tell people not to heat their homes in the winter.

Mr. Thiess said in our case with the Contract Rate of Delivery, we would be on the hook for about 70 megawatts for an additional 25 years so we could knock off a quarter of what we are buying from the ARP, but we would still pay for the 70 megawatts for 25 years. That is not a lot of help. The other option would be a straight buyout with a three year notice, but the last calculation we have done with that in 2005, it was \$241 million. Mr. Thiess said it does not hurt to look at it, but he does not have a lot of optimism it will do anything beneficial as far as purchasing from FPL.

Mr. Summerhays said he recognizes that there is a commission candidate who clearly does not know what he is talking about. He is claiming that we can buy our power anywhere with no knowledge whatsoever of how we operate. Mr. Summerhays said he does not object to looking and he believes that is the message everybody is saying, but we are not going to commit ourselves to anything.

Mayor Benton said he has been hearing this discussion take place for three or four years.

Mr. Summerhays said the seven years he has been on the Board, this has been looked at by staff at least twice, perhaps more than that informally. We can always listen to them and maybe they will drop a decimal.

Mayor Benton said he saw the paperwork from FPL and the facts are there for everyone out there.

Mr. Summerhays said he is not sure that facts actually help with some people.

Mayor Benton said if we could put this problem to rest that has been eating this community up for the last five years, he would feel a lot better and this organization would feel a lot better because of the abuse it gets. Just like when we bring this Budget in front of the City Commission at the next meeting, he is sure that Mr. Thiess is going to be on the hot seat, unfortunately and it is not his fault. Mayor Benton said this organization has done an excellent job and how many years ago after the hurricanes, he could not have been happier and he was the proudest mayor in the country we got through what we did and power was back on in ten days, but the abuse still took place. How soon some people forget, but some of us do not. If this can put this discussion to rest then so be it.

Mr. Drummond said he would like to remind everyone that none of us were sitting here when we joined FMFA.

Mayor Benton said that is correct, those agreements were inherited. He said he wished he knew our options before we closed the King Plant.

Mr. Summerhays said the King Plant was not really an option. It was too old and too decrepit. Our best turbine kept blowing up.

Mr. Perri said another thing that might be considered if we did get out, is we would have no say in anything, we would just have to buy power for whatever they wanted to charge us. Right now we have representatives and a Chairman of the Board on the ARP.

Mayor Benton said we still are not getting much say.

Mr. Perri said we do have say. We just have to get everybody together in this. There are 14 All Requirement, 30 Member cities and there are a lot of different ideas out there on how to do things. Mr. Perri said at every meeting they are hacking away and everybody at that meeting is harping at them to get the rates down.

Mayor Benton said all of them were dismayed because they were told in October that things would get better, but now is the time that people are getting those huge bills.

Mr. Summerhays said that we have taken \$10 off the PCA.

Mayor Benton said that when you get a \$600 bill, \$10 does not help.

Mr. Summerhays said that \$600 bill is everything and you cannot compare it and our customers do.

Mr. Perri said that the \$600 bill is everything.

Mrs. Cully said that if we have FPL, we will not be sitting here talking about this and none of our ratepayers will be either because they will not have that opportunity. She

August 3, 2010

Page 10

does not think the political thing is going to go away no matter what. It will be a political abuse of one thing or another, but it will always be here. This will not change anything.

Mayor Benton said FMPA has a challenge and it is his job to look into it and if he did not look into it, he would not be doing his job. He said he hopes if nothing else it puts it to rest because he is so sick of watching this organization and Mr. Thiess getting beat up every time he comes in front of the City Commission because of the misunderstanding. Even if this brings the facts to light maybe people will get on board.

Mr. Perri said he knows Mayor Benton has a busy schedule, but one time or a few times a year he might be able to go over to Orlando and sit in on some of those meetings and get a better idea of what they are up against.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN