

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, SEPTEMBER 21, 2010, 4:00 P.M., CITY COMMISSION CHAMBERS.

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

Others present: William G. Thiess, Director of Utilities; Barbara Mika, Acting Director of Finance; Thomas W. Richards, Director of Electric and Gas Systems; Evelyn I. Walker, Director of Shared Services; Douglas W. Giel, Manager of Special Projects; Levette Dixon, Communications Manager; and Nancy Dallaire, Risk Manager.

Excused Absence: Attorney Koblegard

The meeting was called to order by Chairman Summerhays.

The Invocation was given by Dr. Ken Brown of Hope for Families.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

A motion was made by Mrs. Cully, seconded by Mr. Perri, and unanimously carried to excuse Darrell Drummond from the meeting today.

Levette Dixon, Communications Manager, presented the Florida Municipal Electric Association Community Service Award. Mrs. Dixon said it is with great pleasure to bring the award the employees and FPUA received last week. She said the award recognizes FPUA and most importantly the employees as dedicated to giving back to the community through service. FPUA employees constantly work hard to enhance the quality of lives in our community by participating in various activities and organizations such as the American Cancer Society, United Way, Boys and Girls Club, Big Brother Big Sister, Salvation Army Christmas Angel Program, Treasure Coast Food Bank, Treasure Coast Blood Center, Mustard Seed, Monthly Food Drive, CA Moore Elementary, Lincoln Park Engineering Program, Red Cross, Downtown Main Street, Manatee Center, and St. Lucie County Earth Day Celebration. Mrs. Dixon showed a slide presentation of pictures showing employees participating at different organizations throughout the community. She showed slides of them painting the CA Moore Elementary School and the Hospice Floral Project with the United Day of Caring. For the Haitian Relief Effort, FPUA took donations and were a drop off center for donations, which were taken out to Missionary Flight International. Employees participated in the Sights and Sounds Christmas parade. Mrs. Dixon said for the first day of school several employees greeted the children and helped "Stuff the Bus" with school supplies donated by FPUA employees for families that were unable to

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purchase them. She said on a personal note she wanted to thank all the employees that participated in our community service effort. Although the award may be on the wall in Mrs. Dixon's office, she said it would not have been received if it had not been for the dedication of our employees.

Mr. Summerhays said it is always great to hear about our employees doing good in the community.

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 September 7, 2010.
2. Approval of the Barter Agreement for Advertising in the AT&T Real Yellow Pages Directories.
3. Approval of the Service Agreement between FPUA and MHNet Specialty Services, LLC for the provision of certain mental health and substance abuse services and Employee Assistance Program.
4. Approval of the Lawn and Grounds Maintenance annual contract from Gary Roberts Nursery & Landscape Inc. on FPUA's Request for Proposal (RFP) #: 5998 in the amount of \$72,540.00 with annual renewal options on terms and conditions that are mutually acceptable to the parties not to exceed two (2) yearly renewal periods.
5. Approval to accept proposal from Florida Municipal Insurance Trust through Florida League of Cities for public officials and employment practices liability insurance effective October 1, 2010 and approve funding of \$24,181.00.
6. Approval of the purchase of gasoline and diesel fuel from the City of Fort Pierce for FPUA vehicles in the amount of \$45,000 for FY 2011.

A letter was received from Mary Jackson, Office Manager of In the Image of Christ, thanking FPUA employees for their food donations.

A letter was received from Charles Pitt, President of Americast, thanking Val Sirmons of Customer Service for her professional courtesy and efficiency in helping him with his cleanup operation at 3204 Ohio Avenue.

Tom Richards, Director of Electric and Gas Systems, presented Alternative Power Options as a follow up to the last meeting. He said the Board Members have a copy of the report in their board packets, but he wanted to review it for those that are watching and listening that do not have a copy of the report. Mr. Richards said FPUA is under contract with Florida Municipal Power Agency (FMPA) for purchase of 100% of our wholesale power supply and that is known

as the All Requirements Project (ARP). There are 13 other cities that are ARP members and it is not like an "us and them" kind of a situation. We are in FMPA and are actively involved in that power supply effort. Mr. Richards said we need to occasionally look to see if there are other alternatives to that power supply arrangement and what might be available to us and reasonable to pursue. He said we have looked at the contract we have with FMPA to determine there are three possible exit provisions. The first one is to provide a 30-year notice of the long term contract that rolls over and it is 30 years or more. That would give us the ability to be out of the project and at the end of the period there would be no further obligations. Mr. Richards said 30 years is a long time and it does not seem to do us much good to think about it right now in terms of an action that would be helpful, but it is an option. He said the second option for exit from the contract is a "short" process and is to provide an irrevocable 3-year notice that we want to get out of the project. Notice has to be given on or before September 30th of each year. FPUA would be out of the project three years after the September 30th date. For example, if we spent another year or so studying this and decided a year from today we wanted to provide that notice, we would do that by September 2011 and we would be out of the contract by October 1, 2014. Mr. Richards said nothing happens too fast, but that is the fastest option we have. He said the downer on that option is we will owe FMPA a pile of money to get out of the contract. FPUA would be totally free and clear at that determination date, but they have estimated for us we would have to pay them \$306 million for the privilege to exit the contract. He has done some analysis on the numbers FMPA has projected for their power cost for the next several years and tried to back into a number that would be available in the wholesale market that would give us the ability to offset that \$306 million cost. If we were to sell a bond issue for that amount and amortized it for the 30 years that would add \$23 million a year to our annual revenue requirements in addition to whatever else we had to pay. In order to make up \$23 million, the rates in the wholesale market would have to be less than FMPA's rates by 33% or 1/3 for the whole 30-year period of time just to break even. That is not a very reasonable number and the other way to look at it is to say FMPA's rates would always be 50% higher than the market for the whole 30-year period. There may be times when the rates are higher and lower, but under Mr. Richards theory of reversion to the mean is that when entities with prices that lie far from the mean will tend to move closer to the mean over time. If the mean is too far off, it will eventually come back. Right now FMPA is high and they are working hard on getting lower and we forecast that they are getting lower. We will see evidence of this later today. FPL is trying to look at getting their rates to go higher and they have not been very successful with the Public Service Commission, but that does not mean in the next few years they will not be successful and we can expect their rates to go up. Mr. Richards said he did look at the third recommendation for getting out of the contract and the one he would suggest that FPUA look at a little bit further is the Contract Rate of Delivery (CROD). This requires we provide FMPA a 5-year notice by December 31st of any year and after the 5-year notice, FPUA would be partially on its own. The partial part would be that January 1st, five years later; FPUA would take back the resources they brought to the project when they joined in 1998. FPUA would take a contract date of delivery for the difference between maximum hourly peak demand and the 15% margin and subtract the resources brought back.

The difference would be taken as a fixed amount for the remainder of the 30-year contract with FMPA. Any growth above that fixed amount or if one of our resources fell offline, we would have to make that up with another supplier. Mr. Richards said the resources that FPUA had when they joined the project that would be taken back are the St. Lucie Project which is about 11 megawatts, the Stanton Project which is 15 megawatts, the Tri-City Project which is 5 megawatts, and the Stanton II Project which is 16 megawatts. We would take all those back and use them as our base load and FMPA would use them to swing up and down up to their maximum delivery amount and the increments above that would come from our supplier. Mr. Richards said he thinks we should definitely look at that option. He said the difference may be in the value of those base load resources that FPUA takes back. Depending on the assumptions for the future, those may be lower costs than the FMPA rates to serve that amount. We may see a difference our first year out of the contract. In a nut shell, Mr. Richards said Staff is requesting that the Board direct us not to consider the 3-year short term option that would require FPUA to pay \$306 million to get out. Staff recommends further study of the Contract Rate of Delivery (CROD) and would like to hire an outside consultant and he has somebody in mind for that. They would help us access what the wholesale market prices might be out there and give us some indication on how they might vary over time. They would also take a look at the modeling work we do internally and critique it for us. Mr. Richards said the study he did here was very simple and was high level on an annual basis with a lot of assumptions and could lose some accuracy as it is simplified and assumed. He said he does not think it is reasonable to assume that FPUA can pay \$306 million and be successful in the future.

Mayor Benton asked if the consultant would be Bill Harrington.

Mr. Richards said that is who he had in mind.

Mayor Benton said he received some correspondence from him and would agree using him. He asked if Mr. Richards was on board when FPUA when the FMPA contract was signed.

Mr. Richards responded yes.

Mayor Benton asked if there was any discussion at the time about the buyout being \$220 million.

Mr. Richards said he did not recall those numbers.

Mr. Thiess said the only thing he saw in the file and he was not there at the time, is that in 2005, there was a calculation done and the exit for part A and part B was \$241 million. He said he does not know if there was any discussion of a buyout number back when the ARP was formed.

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Mr. Richards said there was no discussion at that time. He said that number will vary depending on the point in time and the peak demand that determines FPUA's share of the outstanding debt for the agency plus the expanded costs.

Mr. Thiess said the language is very clear in the contract that those two parts are a part of the exit option.

Mayor Benton said he thought he saw a contract signed by Cleon Middleton that had the number in there back from 1998. He said he could be wrong and he looked for that copy and may have left it with FPL when they met. Mayor Benton asked if there was any discussion leading up to that contract regarding buying power from any provider other than FMPA.

Mr. Richards said he and other staff personally spent at least a year looking at alternatives to Florida Municipal Power Agency. He said they talked to marketers at the time and FPL. At that time the marketing folks were utilities just getting into the wholesale power business and were pretty new players. He said they spent a fair amount of time with four other cities looking at an alternative agency that included Homestead, Lake Worth, Key West, New Smyrna Beach, and Fort Pierce. There were a lot of people that had not joined the ARP at that time and were looking at alternatives. FPUA actually had the beginnings of contract documents drawn up to help us sign an interlocal agreement, which FPUA did not sign. After a year of looking at that, FPUA realized they did not have a success record, did not have the critical mass to make it a big enough project. In house, it looked like a pretty good project to get into and there did not seem to be a reasonable alternative at the time, and the costs were going up more. FPUA signed the agreements and the money was put in escrow ten years before they were signed in 1998.

Mayor Benton said that \$306 million is definitely way out of the picture, but he said he would like to hear what Mr. Harrington says about other options. He said he was really surprised that there was not an out if we could sell to a city that wanted to buy into FMPA the same amount of kilowatts that we use, it could be a transfer. It seems like you can only buy into FMPA, but you cannot get out.

Mr. Summerhays said that sure you can get out, it just costs a lot of money.

Mr. Perri asked if FPUA was going to go ahead with the study from the consultant.

Mr. Richards said that would be his recommendation and he would like direction from the Board on how they should proceed.

Mr. Summerhays said he thinks it would be a very good idea. We need to look at our options. He said that clearly the first option of \$306 million is totally out of the question, but we do need to look at the other option and see if there is anything there.

Mr. Perri said it looks like to him that there is only one other option that might be viable and that is the Contract Rate of Delivery.

Mr. Richards said that is the option we would be looking at.

Mrs. Cully asked what the cost of that would be.

Mr. Richards said the first level of the study would not cost a lot of money. It would be a progressive thing and if it looks like it has promise, we will come back and do a more detailed study. It would be brought to the Board to present what we have and if we want to get more detail. Mr. Richards said this is a pretty important decision and we want to be sure we cover all the details. He said we could start with simple assumptions and work towards more complicated ones if it looks promising.

Valerie Schulte, Supervising Engineer for Water/Wastewater Engineering presented the annual renewal to the Unit Price Contract and an increase with Ditchdiggers. She said this is the last annual renewal so next year the documents will be put together to rebid. There are a couple of projects that are being added to the contract at the front. Mrs. Schulte said in past years we brought them back to the Board as they came up, but this year we have been notified about the Rock Road and the Treasure Coast Education Research and Development Authority (TCERDA) project agreement that was recently signed by the Board. She said we provided estimates based on their bid prices. The South A1A Phase I Water Main Project, the City is putting that out to bid shortly and we feel we have a better cost effective way of doing this if we can get Ditchdiggers to start installing the water main ahead of the construction. We would have less restoration cost that way too because it would be moved by the sidewalk and put some temporary millings down. With those projects added to the list, it brought it over our typical \$1 million contract. We are asking approval to move forward with it and it would be put on the Ditchdiggers' purchase order for this year.

Mr. Perri asked if it is going to be coordinated so we do not get involved with the Department of Transportation and holding them up like we did in the past.

Mrs. Schulte said they have already made inquires to them about the temporary sidewalk and the City is on board with that. She said they have already received the permits from FDOT.

A motion was made by Mr. Perri, seconded by Mrs. Cully, and unanimously carried to approve the increase of \$1,159,000 to Bid No. 5740 Annual Water/Wastewater Construction Unit Price Contract with Ditchdiggers, Inc. This will increase the Annual Water/Wastewater Construction Unit Price Contract with Ditchdiggers, Inc. from \$1,000,000 to \$2,159,000. The term of this

contract will be for October 1, 2010 through September 30, 2011 and is the third and final one-year renewal.

Nancy Dallaire, Risk Manager, presented the Florida Municipal Insurance Trust (FMIT) quote. She said this is our annual request to accept the quote from FMIT for various property and liability insurance premiums or what we call the package policy in the amount of \$599,804 with the renewal period from October 1, 2010 to October 1, 2011. Ms. Dallaire said when FMIT provided the renewal quote, they also notified FPUA of good news. There will be a return premium for members of good standing that had coverage in FY 2009 and FPUA's share will be at least \$118,448. We should be receiving the check in November. Ms. Dallaire said the one thing she would like to point out is the benefit of belonging to the trust is when the trust has a good year; they do pass along their savings to the members. The refund information is for information only and is not included in the three charts to be shown on the screen. The first chart shows the insurance premiums under the package policy for the 10-year period going from FY 2002 to FY 2011. The property insurance is shown in blue; the purple is Workers' Compensation; and the general liability and auto liability are the green and red shown at the bottom. Overall, FPUA in FY 2011 will have the lowest premium in this 10-year period and it will also be the first time the premium is dropping below \$600,000. There is a notable decrease from last year and the decrease amounts to 11% or approximately \$75,600 that is largely due to the drop in Workers' Compensation. All lines of coverage have decreased except for auto liability which had a slight increase. The next chart shows information about property insurance with the orange column showing FPUA's property values for the same 10-year period and the blue line is the property insurance premiums for its values. There is a drop for FY 2005 to FY 2008 and that is due to a decrease in the King Power Plant. The peak is the high cost of eight major hurricanes in Florida in FY 2004 and FY 2005. In the last two years the values have increased slightly, but the premium has declined because there have been rate decreases. The next chart shows Workers' Compensation showing payroll and premiums. For FY 2010 to FY 2011 the premiums dropped by 29% or \$67,000 and we have the perfect scenario which is the opposite of a perfect storm. Ms. Dallaire said payroll has declined, the rates have declined, and FPUA's experience improved from FY 2007 to FY 2009, which is the three years used to calculate the premium. Also, a large claim from FY 2006 fell out of the calculation. Siver Insurance Consultants have reviewed the renewal quote and recommends that FPUA continue the premium of the package policy. FPUA has been satisfied with FMIT service and agrees with Siver's recommendation. In conclusion, Ms. Dallaire said staff is asking the Board to accept the renewal quote provided by FMIT in the amount of \$599,804.

A motion was made by Mr. Perri, seconded by Mayor Benton, and unanimously carried to accept the Renewal Quote from Florida Municipal Insurance Trust through Florida League of Cities for general liability, automobile liability, property and Workers' Compensation insurance effective October 1, 2010 and approve funding of \$599,804.00.

Barbara Mika, Finance Controller, presented the July 2010 Financial Operating Results. She said the fiscal year to date increases in Net Assets were \$3.3 million for the ten months to date. Without the inclusion of Capital Contributions of \$4.4 million, there would be a decrease in Net Assets of \$1.1 million on the year to date. Unit Sales for the ten months to date are up slightly for most systems. Wastewater Systems is slightly off last year's mark for the month and for the year-to-date. Our cash position for the fiscal year to date continues to improve due to conservative spending efforts and the power cost adjustment over collection. As of July 31, our days cash is 60 and we stand at the end of August with 67 days cash. The trend in the Unit Sales from 2008 and 2009 through 2010 to the ten months showing that Electric year-to-date we are up 5.1% from last year, but still behind the 2008 figure by 5.5%. Water is steady and we are up by 1.8% from last year and slightly down from 2008. Wastewater is down 2.9% from 2009 and 9.9% from the 2008 figures. Natural gas is improving and is up 3.1% from last year and steady from 2008. Ms. Mika said the Combined Operating Revenues are down slightly with Electric down 1.1% with \$2.7 million decrease in the power cost adjustment (PCA). Excluding the adjustment for the PCA the Operating Revenues would be up 4.7%. Water is up 2.9%, and Wastewater is off 2.6% from the same period last year. Gas Operating Revenues are up 3.4% from last year including the decrease in the PGA of \$80,000 year-to-date. Excluding the PGA, the Operating Revenues would be up 7.8%. Operating Income and Debt Service for the rolling twelve months which has been restated to add back the OPEB expense from 2009, were slightly down in Debt Service for June from 3.02 to 2.96 in July. Variances for the fiscal year from 2009 to 2010, we have year-to-date Operating Income up \$3.3 million, which is attributable to an increase in Operating Revenue of \$2.3 million, excluding the adjustment that is made for the PCA and the PGA. Ms. Mika said we have the reduction from last year with the ten months to date with the OPEB of \$2.1 million. She said the Employee Compensation for the ten months to date compared to last year is down \$938,000. Capital Contributions are also down by 32% or \$2.1 million from what we experienced in 2009. This item is for information only and requires no action from the Board.

Mr. Summerhays said he is glad to see things looking up a little.

Mr. Summerhays said moving along to something that makes him happy is to approve the decrease in the power cost adjustment (PCA).

Mr. Thiess said this is our good news for everybody and all our customers for sure. He said it is a pretty good size reduction in the power cost adjustment.

Ms. Mika presented the status of the preliminary power cost adjustment for 2010. She said on the chart of the power costs paid and recovered it shows the reduction for the monthly power cost paid to FMPA in July and then again in August we had a significant drop. The August bill from FMPA, the power cost was billed at \$87 a month, which is down for the second month in a

row from June by \$6.12 per 1,000 kWh. These costs reductions have resulted in an accumulative over recovery as of August 2010 of \$238,370.99. Our PCA is a direct recovery of the power cost paid and we do not make a profit on the PCA charge. The over/under recovery is recorded as a liability or a receivable from the customer. The projections made for 2011 have been prepared looking at both the 50% and the 70% confidence levels. Both projections are based upon FMPA's All Requirements all in rate projections, which over time have shown significant improvement in accuracy. It has been projected with 50% confidence that the over recovery at the end of September will reach \$1,112,735 and that this trend will continue through FY 2011. Ms. Mika said staff would continue to monitor and present actual costs and sales on a monthly basis and recommend changes if necessary. She said if we make no change to the PCA, we will continue to over recover costs from our customers. At this time and based upon the projections of power cost and recovery prepared by Public Resources Management Group, our rate consultant, we recommend for the Board's approval of a decrease of our electric PCA to \$40 per kWh for the period beginning October 1, 2010 and until further notice.

Mrs. Cully asked if that will be \$14 FPUA has dropped since last November.

Mr. Summerhays said that is correct. It is a total reduction of 26%.

A motion was made by Mayor Benton, seconded by Mr. Perri, and unanimously carried to approve the decrease to the Power Cost Adjustment for the period from October 1, 2010 through October 31, 2010 and until further notice to \$40.00 per 1,000 kWh.

Keith Stephens, Water Resources Superintendent, presented the pebble quicklime bid. He said they went out for open bid and came in with the best and lowest responsive bid for the pebble quicklime and for 2500 tons the price is \$218.11 per ton. The contract is for one year starting October 1, 2010 going through September 30, 2011. On a positive note, Mr. Stephens said they were in the last year of their previous contract and made some phone calls to see where the market was going and they decided to go out for open bid again. He said this year, based off the new bids, they will save a little over \$89,000 this year.

Mr. Perri said good job.

A motion was made by Mr. Perri, seconded by Mrs. Cully, and unanimously carried to approve Bid No. 6006, Pebble Quicklime and accept the lowest and best responsive responsible bid from Cheney Lime & Cement Company, Allgood, AL, for approximately 2,500 tons at a unit price of \$218.11 per ton, for a total not to exceed \$545,275.00, annually. The term of this contract will be October 1, 2010 through September 30, 2011, with two one-year renewal options.

Mr. Thiess said that he, Tom Richards, and Mike Perri attended a Business Model Working Group meeting last week at FMPA. This group is looking at the business model trying to refocus the business and get it more competitive. They made a couple of decisions that are worth noting to this Board. The group decided they were not going to pursue any further the rate stabilization at the FMPA level. We talked about that at this Board and are handling it now through our power cost adjustment. We try to keep that as level as we can and not go up and down like a lot of the utilities do. The rate stabilization they are looking hard at is stabilizing the demand part of the rate, but that would require \$30 million in cash. The good thing is you would have a more stable FMPA rate, but would have to pay over a period of time to accumulate that \$30 million cash to stabilize the rate. It looked like there was no support for that. A lot of utilities wanted to hold their cash at home and we are okay with that. Originally, FPUA was behind having some rate stabilization up there. If we look at the table we had on the power cost adjustment and look at last year at this time, we were seriously negative from January through August with a negative \$4 million in June of last year. This year we are positive and have gained back control of the power cost adjustment where we reduced it by \$4 today and look at possibly another reduction in a couple months down the road.

Mr. Summerhays said they have been more accurate with their projections.

Mr. Thiess said that is one of the reasons we are more comfortable because the projections are much more accurate than they were in the past. We have a much higher level of confidence going ahead and can make these decisions and not get burned.

Mr. Thiess said the other item that the Committee took some action on was demand side management. We have had four or five meetings where that has been the major topic of the meeting. What the staff recommended and was taken up by the Committee and decided on is that FMPA is not going to get into capital intensive demand side management at this time. The reason is the demand side management payoff is minor in the interim, it is low fuel cost and that sort of thing by running more efficient generation and not having to use peakers. The real payoff is out there when we have to build the next unit and we are nine years away from that. If they get into a capital intensive program now, your payoff is way out there. That does not mean they will not look at some things that can be done in the interim. We talked about having the warnings to the customer or notices that this is the time to conserve. We can still pursue the things that do not cost money and are not capital intensive. The capital intensive efforts will be pushed out a few years before we get started on that. Some utilities, including us have been chasing that peak particularly in the winter time. There are other utilities that chase it year round and have a good deal of success. The demand part of the FMPA bill really goes towards the fixed costs, which is the \$18 or \$20 million a month to pay for the generation. That does not include the energy or fuel costs. We were successful hitting two to three peaks last winter, saving us an average of \$50,000 or \$60,000 each time we did it. When one or more utilities chase the peak to lower demand costs, it does not do anything for the agency as a whole for demand site management. It helps us, but it does not help the ones that are not

doing it. It pushes the costs from the members that are doing it and succeed onto the members that are not doing it. Staff was asked to look at ways of restructuring the demand part of the All Requirements rate to lessen the impact of doing peak chasing and pushing costs off on the other utilities. There may less advantage to doing that in the future than there is now if we adopt another way of billing the demand side of the cost.

Mr. Thiess said FPUA and other utilities have been interested in time of use rates and there was a report that was done three or four years ago that was brought by the FMPA staff to the Executive Committee and they did not want to move forward with it at that time. The Business Model Working Group asked staff to go ahead and dust the report off and see what it takes to update it and bring it back for discussion. Mr. Thiess said FPUA has a lot of customers that are interested in it. He said we cannot do it with all our residential customers unless we had smart metering in place because it will require different meters. We can look at it with some of our bigger commercial industrial customers. That may be a long process, but it is back on for discussion and will be talked about in future meetings.

Mrs. Cully asked if we continue to do well in dropping the rates would it be proper for us to look again at a rate stabilization plan.

Mr. Thiess said we sort of have one in the over and under collection because we are looking at least 12 months out and as many as 24 months out when FMPA gets to projecting into the FY 2012. We would use the over and under collection fund as our buffer for rate stabilization on the electric. We could have a designated fund for that and there is the option to do some rate stabilization up there at FMPA if we get in these months where we get the big push back of cash, which starts about now. We could elect to have them keep some cash up there for rate stabilization. We have had an open process here at the Board. Where we are right now, we keep our cash here and we have to realize when we get in those months where they are taking the cash back in June, July, and August, we do not have as much cash as it looks. As long as we realize that and FMPA is still accurate with their forward projections, we can deal with it in a simple manner by managing that PCA over/under collection. Whenever it gets to be too much based on that forward look, we will bring back another reduction. Right now with the estimate that was given to us with the latest projections from FMPA, it looks like we might be able to have another reduction as early as this fall.

Mr. Summerhays said he noted in the current Business Week with some interest and some dismay, there was a fairly substantial article about smart meters. Basically the theme of the story was that a lot of the large utilities that have gone into the smart meter are finding it may not be the wonderful thing they thought it was.

Mr. Thiess said he read a similar article today. We are proceeding with utmost caution into that area. We had a couple of meetings with GE and this is our fourth run at smart metering. In

2006 we took a good run at it with the \$7 million item that almost came to the Board, but we had to pull the plug on it because the software was not available. We have had some discussions with performance contractors working up to the point of a go or no go decision. Last year we had the \$10 million Department of Energy Grant we applied for that would have funded at 70% at the time of application. Mr. Thiess said he has heard people say after that, the funding level has gone down to 50%.

Mr. Summerhays said the article was specifically addressing funding towards IOU's and they have to pay for their entire smart metering task with no government funding. They were finding that it was not saving them any money, but was costing them money.

Mr. Thiess said that is why we were very comfortable bringing a package to this Board at 70% grant funding. We were not comfortable bringing a package at 100% funding. He said in the meetings with GE, it was made clear that we would not be comfortable with bringing a package with a performance contract to this Board that is going to rely on the savings to pay off the costs. It would have to be a good amount of grant funding involved.

Mr. Summerhays said kind of like the Internet provider thing that we avoided six or seven years ago where New Smyrna was heavily into. We were looking at it, decided not to, and then they went down the toilet.

Mr. Thiess said there are a couple of utilities that are actively pursuing changing out meters. Ocala is replacing 75,000 meters and Leesburg is replacing 25,000. We like to say we are not on the leading edge because it is often the bleeding edge. We are going to sit back and watch those installations, look at their progress, and will go up and visit with them to see how it is going. We are going to pursue it very carefully and not jump into it.

Mrs. Cully said she is going to have to step down as a liaison for FMPA this year because of some time restrictions and would like to refer Mr. Perri as her replacement.

Mr. Summerhays asked if Mr. Perri is volunteering.

Mr. Perri said yes he will take that responsibility on.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN