

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, OCTOBER 5, 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 David Recor, Ex-Officio Member/ 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 of Electric and Gas Systems; Evelyn I. Walker, Director of Shared Services; Timothy E. Perkins, Director of Water/Wastewater Systems; and Putnam Moreman, IV, Acting Risk Manager.

The meeting was called to order by Chairman Summerhays.

The Invocation was given by Alice Lodomirak, Accounting Technician with Finance Department.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Laurence F. Davenport, Jr. of DC Group of South Florida, Inc., 1109 South Congress Avenue, West Palm Beach spoke during public comment. He said he has met some of the Board members previously and thanked them for allowing him to speak. Mr. Davenport said it is his firm that has worked with the county to bring about their solar energy loan fund many months ago. He said the firm is himself and two former Secretaries of Energy who have worked with them to draw up programs like this throughout the region. They have currently worked with Martin County School District and City of Riviera Beach, which is creating their own and is one of the smallest cities in Florida to have its own. Mr. Davenport said he was talking with Councilman Perona this afternoon and mentioned that he had talked with Barry Moline at the FMEA about building these kinds of initiatives inside utilities where they can actually do on-bill financing. He said there is one in the State of Florida they looked at in Lakeland and they are doing solar thermo systems. They are putting them in people's homes and paying through the bill systems. He talked to Mr. Moline about doing a pilot program. Mr. Davenport said they would like to look at two or three different municipal utilities for these types of initiatives. He said there are several pieces of legislation that are coming out at the federal level. Home Star passed the congress in June and is now sitting in the Senate and that program is for energy efficiency improvements. That is where all the money is going to, it is not for photovoltaics and the cash credit ends December 30th. The credit will go on tax credit for solar firms and PV systems, but the government is looking at energy efficiency ways to cut usage. The reason he was talking to FMEA about that is because many struggle with that problem today. They would like to be more energy efficient so they can go out and buy energy efficiency on the open market because it is cheaper. Most municipal utilities are looking for producing their own energy. They need to understand all the federal programs and that is where his program

actually helps cities, counties, and utilities understand Brownfields and the different pots of money. Mr. Davenport said they are going to Sarasota to talk about building a program there inside the city as well as the county because they want to start to control their own destiny. One of the reasons he was attracted to Fort Pierce is because they have their own utility. Lake Worth and a few others, like maybe 33, plus some smaller co-ops are actually producing. Fort Pierce offered the benefit of having its own utility, a city that is aware of what they have done with the County and also being aware of what is going on at the federal level. His firm is looking at possibly talking to this Board about creating a pilot program, working with FMPA to come up with a rebate program that Mr. Davenport thinks could be merged at the same time as a financed program. He said FPUA would be the only municipal utility in the state with a rebate and a finance program at the same time and basing it on the Department of Energy and the EPA's Energy Star System. The Home Energy Rating System (HERS) is the best practice and class in energy efficiency. People that use it usually follow the guidelines and reduce their energy usage by 25% - 30%. He said they drafted a program for the City of Rivera Beach that showed them how, as a low income community, they could build an energy efficient system because it is much cheaper than putting up a \$30,000 PV system. There are ways to do that. He said they looked at solar as far as commercial applications where one of the biggest problems with PACE (Property Appraised Clean Energy) is it did not do commercial well. That is one of the things they are trying to implement inside one of the municipal utilities is a commercial PACE program because you could still place liens on commercial properties. He said Fannie Mae and Freddie Mac are in a great debate now with PACE and that is basically to shut down most of the PACE programs throughout the country. Mr. Davenport said what they are trying to do is work with utilities to be able to do this through on-bill. They are looking to get motivation through the water and utility department because not everybody has water. He said there are ways for cities to do this with very low costs and without having to create more infrastructure because he knows the City Manager does not have money rolling out of his pockets nor does anyone to build up more infrastructure. Mr. Davenport said what they did with St. Lucie is built that and once they get it off the ground it will not be a government loan. There is no government money going into it and that creates a profit center. He said he knows that utilities are looking for profit centers. That is basically what they talk about, is a way to offer a service to the customers that reduces their energy usage. Also, at the same time the commercial customers, which are the largest customers, can now start accessing renewable energy efficiency products to reduce their usage. The peak hours that are being bought on the wholesale market will not do that anymore. Through the use of Brownfields and other incentives, you can start producing energy. Once you put up the panels, they do not cost anything, they circle the sun once a day. These are the opportunities that he would like to discuss with the Board, FPUA, and the City to merge this all together to start a pilot program in Fort Pierce working with FMPA and other agencies to make this a city that does it right.

Mayor Benton said he has heard from County Commissioners about this program that they have, but he has not heard the details.

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Mr. Davenport said he spoke with Commissioner Coward this morning and they addressed the Martin County Board of County Commissioners and spoke with them at length. He said they are still at the planning stage and have not come up with guidelines and the policies. He does not know when they are actually going to start lending. Last he heard they were going to do loans up to \$50,000. It really needs to go to residents for the energy efficiency improvements, which are not \$50,000 loans. They are \$5,000 to \$10,000 home improvement loans, too small for a bank to do and too big to put on a credit card. There would be a return on the investment like the retrofit programs that have a return on investment of two to three years. On solar, he said he hates to tell people, except for thermo and your hot water heaters, the payback could be 7 to 10 years, minimum.

Mayor Benton said they have been hearing about this program for over a year and they have secured it, but have not heard the details. They say Fort Pierce is going to be the city that they are going to market it in. The more he talks to people about putting an additional price tag on their mortgage, saying this is a loan that will be paid back in 10 – 15 years, most people when they get a mortgage, they get it for what they can afford. Putting another \$50 or \$100 on each mortgage in this economy is not going to go over very big in Fort Pierce.

Mr. Davenport said they would have to key the program to have people pay from the savings they incur. He said when there is a real energy standard and you are cutting people's energy usage by 25% - 30%. That \$50 a month they are going to pay should be out of the \$100 a month they are saving. That is the program you actually want to push forward and that is why energy efficiency is what we call the low hanging fruit. Mr. Davenport said so many people are falling in love with solar and he has fallen in love with it too since we live in the sunshine state. He said what he tries to tell people are that the homes are built inefficient. If he can create efficiency in the home and reduce their bill by 25% and they pay \$50 a month to save \$100 a month, they will do that. Those are the kind of decisions that you want to have put in place and for people to be able to make a decision to save money, not to spend more money.

Mayor Benton said he agrees, but he does not know how Mr. Davenport is going to sell that to anyone now because if it is someone in government telling them they will save this money, they are going to be a little bit worried about it. He said he has heard about this for a year, but has not heard the details. It is time that Commissioner Coward comes to one of our meetings or a City Commission meeting. City staff has been meeting with him, but the public is waiting to hear the details.

Mr. Davenport said that is what they are attempting to do. He said one of the things he stresses is some things are best left at 100% in the private sector and whenever we are doing bank issued loans that should be in the private sector. As good of information that Commissioner Coward would bring, it would be good to have a Board Member there because someone is controlling the purse strings. Somebody is making sure the loans are done right and those are the people you would want to sit with and find out exactly how it is. Mr. Davenport

said he would give Commissioner Coward credit in that in this entire region, he is the most knowledgeable elected official as far as energy goes. He was really impressed in that he and Commissioner Coward come from completely different backgrounds and completely different ways, but they came together to solve the same problem. Energy efficiency has been slowed because of lack of finance and lack of education. Looking at it as wide as America and even today he was on NPR and in his interview he said Florida received an "F" on its solar report card. They also received an "F" for energy efficiency and that is what we are talking about. We talk about the Home Energy Rating System (HERS) audit and about the need for that is because it will show the savings because you go out before you do the work and have another auditor come out after the work is done. They verify that the person is going to save the money before you issue the check. Mr. Davenport said that is what he is talking about when FPUA builds their own program, you get it started and then you maintain it because you have the advantage of data management, which is a key critical portion of it. As FPUA has their own customers, you know what their bills are and you have done weatherization programs before. Tracking is put in place and a basic understanding is known by FPUA which would not be known by another city or county because FPUA is a utility. FPUA knows that mom Smith pays \$150 a month and after the improvements are done she pays \$75 a month and then pays \$50 a month for three years to keep that savings. She will do that because she understands the savings up front. He said he is talking today about FPUA setting up their own program inside the utility because that is where FMPA, who he has been talking with, will be involved and there will be others. Mr. Davenport said one of his fears is that Lake Worth is going to start their own little program and they say if they all get together, the three or five of them at the beginning get together to start this program; they would not have to pay so much for the upfront costs.

Mrs. Cully asked Mr. Davenport if he said they would verify the savings before the loan was given.

Mr. Davenport said they go out to the home and do a checklist of 15 different items that can be done to reduce the energy costs. That person can then choose from a list of vendors that have been pre-approved through the system and certified. They go out and do those improvements and then a HERS auditor will come out afterwards. He said it is like if you were to do a home improvement on your home and the appraiser comes out before to take a look at it and then he comes out afterwards, and the bank says the loan can be let go.

Mrs. Cully asked if it is guaranteed because you can verify and say you are going to save this much and then person complains and says they are not saving that much, and then we have a mess. She asked if it is a guaranteed savings.

Mr. Davenport said what FPUA would want to do is have the vendors understand that it is not FPUA's problem, but it is the vendors. He said the vendors should be certifying that their work has been done properly just the same way as the bank sends out the appraiser. They should

guarantee the work is done and up to standard. Mr. Davenport said the reason he is talking about that HERS standard is because it is already accepted federal and nationwide.

Mr. Perri asked what type of work Mr. Davenport is talking about. Are you talking about installing solar panels or about making the home more efficient?

Mr. Davenport said he was talking about in the beginning about making the home more energy efficient. The reason he talks about that is with grid parity and Dr. Fenton, who runs a photovoltaic energy center, can give you a thirty minute speech on grid parity. Right now photovoltaics are not there and he would not tell people to put up \$10k or \$20k systems on their homes yet. It would take so long to get the payback. Energy efficiency is one thing that you can get a two to three year payback on. He is talking about weatherization, caulking, HVAC, lighting, these are the things he is talking about. You see cities throughout the state that are actually issuing, he believes Tampa is issuing rebates for people that buy CFL bulbs. We are starting to see programs like this throughout the state where people will go out and buy more energy efficient lighting and get a rebate from their city. They will go out and buy energy efficient HVACs and the state came out with that program.

Mr. Perri said yes and they are way behind from what he understands.

Mr. Davenport said there are two reasons why. One is because they did not allocate the money and the other is in order to get the rebate, people have to have a HERS Class 1 audit. In the State of Florida with over 18 million people, we have 171 Class 1 HERS auditors. He said he tries to tell people this when they go from county to county and city to city saying there is a dearth of HERS auditors in the State, and they are charging people \$700 an audit to get a \$1,500 rebate. That is one of the things they are trying to tell people and that is why the Home Star legislation and all that you see in the future require a HERS Class 1 audit to guarantee their savings and to make the workman meet certain qualifications.

Mr. Perri said he did not see that in any of those ads that said buy this washing machine or buy this dryer and get a rebate from the state.

Mr. Davenport said they did have the Energy Star rebate in April when everybody lined up to buy refrigerators and washing machines.

Mr. Summerhays said they still have not issued those checks.

Mr. Davenport said another reason his firm is so critical is because of having two men that have worked inside the Department of Energy (DOE); they have a few ideas of what goes wrong. He said he can tell them that if the state does not file it right and the way the DOE wants, the DOE sends it back. Also, one of the things he has talked to their office about when Doug Coward and he went up to their offices, they said they spent 8.4% of the \$170 million of their Block Grant

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money. That is one of the problems; there has been a log jam at the state. Mr. Davenport said it is all about creating good programs and right now the programs coming out of the DOE are energy efficiency, they are not for solar. It is really tough to allocate money for solar because the DOE says they do not want that because it is a rich man's game with someone saying they do not have \$30,000 to build a system.

Mayor Benton asked if the County's program has secured any funding from the State or Federal government.

Mr. Davenport said they did receive a \$2.9 million grant from the Department of Energy.

Mayor Benton asked if they have received the money in hand.

Mr. Davenport said apparently they have, they have hired consultants and started the Board to have those meetings. He said he could not tell a time frame when they will begin. That is one of the reasons he is on his way for a couple of days in Sarasota. He had been talking about this in other cities and they said we should come to Fort Pierce because they have their own utility and could do the same program. They do not want to compete with St. Lucie County, but to compliment and add a profit center to the model FPUA already has and offer something to your clients that would lower their actual energy costs.

Mrs. Cully asked if Mr. Davenport said the audits are \$700.

Mr. Davenport said that is because there are only 170 auditors in the State of Florida with 10,000 rebates, it is supply and demand.

Mr. Summerhays said the less polite word is gouging.

Mr. Davenport said if there are 170 of you and you get the phone call that there are 10,000 rebates out there in the newspaper, you are going to be busy.

Mrs. Cully said she does not feel the ones that need it the most on their energy bills would benefit, if they have to pay \$700 audit fee.

Mr. Davenport said that is one of the problems with the rebate program, they have been geared towards a certain socioeconomic group. They had to have large amounts of money to be able to put out. He said the difference with the Home Star Legislation that it is an upfront rebate that is going to be coming through the federal government. You will get that at the time when you go out and get it, which it is going to give up to \$3,000 in energy efficiency rebates up front. His hope with the municipalities is that Indian River State College will could be training people for these HERS audits, so instead of paying \$700 for an audit, they could pay \$200 for an audit. As a utility you could say if the customer does the energy efficiency improvements, FPUA

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could offer to pay for the audit. There are a whole lot of different options that the utility has. Basically it comes up to FPUA to design the program to make sure it fits your socioeconomics, what make sense for you all.

Mr. Drummond requested that Item B.1 – Approval of the Minutes of the Regular Meeting of September 21, 2010 be removed from the consent agenda.

A motion was made by Mayor Benton, seconded by Mrs. Cully, and unanimously carried to approve Item B.2 listed on the Consent Agenda:

2. Approval of the Specific Authorization in the amount of \$29,300 for Kimley-Horn and Associates, Inc. to provide engineering services for updating the Lift Station D Rehabilitation design and specifications and for providing bid and construction phase services.

Mr. Drummond said that he removed Item B.1 – Approval of the Minutes of the Regular Meeting of September 21, from the consent agenda because he was not at that meeting and did not want to vote on it.

A motion was made by Mayor Benton, seconded by Mrs. Cully to approve Item B.1 listed on the Consent Agenda. Those voting in favor were Mrs. Cully, Mr. Perri, Mayor Benton, and Mr. Summerhays; Mr. Drummond abstained, item was approved.

A letter was received from Lt. Chris Martin, CHC, USN of the United States Marine Corps serving in Afghanistan thanking FPUA employees for the care package they sent.

Mr. Thiess said the next item is our annual election of officers with a suggested slate of officers with the usual rotation, where everybody moves up a notch and the person on the top goes back to the bottom.

A motion was made by Mayor Benton, seconded by Mrs. Cully, and unanimously carried to approve the election of officers as follows: Mr. Drummond, Chairman; Mrs. Cully, Vice Chairman; Mr. Perri, Secretary; Mr. Summerhays, Deputy Secretary; and Mayor Benton, Mayor/Member

Mr. Summerhays turned the gavel over to Mr. Drummond as the new Chairman. Mr. Drummond thanked Mr. Summerhays for an outstanding year and said he will do his best to fulfill the same kind of leadership.

John Tompeck, Gas Operations Superintendent, presented for Board approval a blanket purchase order to Florida Gas Utility. He said this is the annual request for natural gas purchases from Florida Gas for FY 2011 in the amount of \$2,050,000. That amount is based on the anticipated expenditure, which is included in the 2011 budget. Mr. Tompeck said the purpose of the blanket purchase order is to inform the Board of the yearly total and to streamline the paperwork associated with the monthly payments. The amount is slightly less than the amended 2010 budget due to price softening in the natural gas market. The amount last year was \$2,150,000 and for the Board's information, the total gas bill for 2010 was \$1,909,000. It is expected that it will be a little bit less in 2011, if the market conditions continue to be the way they are.

A motion was made by Mayor Benton, seconded by Mrs. Cully, and unanimously carried for Approval of a blanket purchase order to Florida Gas Utility for natural gas purchases in the amount of \$2,050,000.00 for FY 2011.

Javier Cisneros, Assistant Supervising Engineer for Electric Engineering, presented for Board approval two blanket purchase orders to the Florida Municipal Power Agency (FMPA). He said that FMPA purchases power from FMPA in an estimated amount that is passed directly through to our customers. There are two purchase orders, one for the All Requirements Project and one for the St. Lucie Power Project. The first purchase order is based on FMPA's Fort Pierce system for the All Requirements Project totaling \$45,864,314 and the second purchase order is based on FMPA's St. Lucie Power Project billing schedule totaling \$6,932,780. Mr. Cisneros said staff is requesting approval of the two blanket purchase orders to FMPA for a total of \$52,797,184.00.

Mr. Perri asked if the St. Lucie Power Project is the Treasure Coast Energy Center.

Mr. Cisneros said it is the St. Lucie nuclear plant, unit II.

Mr. Perri asked if the Energy Center is included in the \$45,864,314 amount.

Mr. Cisneros said that is correct.

A motion was made by Mayor Benton, seconded by Mrs. Cully, and unanimously carried for Approval of two blanket purchase orders to the Florida Municipal Power Agency for a total of \$52,797,184.00 for FY 2011.

Nina Hurtubise, Finance Director presented the FMEA electric bill comparison for the month of August 2010. She said the graph displayed is the municipal electric bills in the State of Florida

for 1,000 kWh of usage. FPUA's relative position compared to the other municipal utilities is now in the 6th position and is one position higher than it was last month. Since June, five utilities have increased their bills and eleven have decreased their bills. The most notable changes are with the City of Starke, they reflect a decrease of \$15.18; Green Cove Springs reflects a decrease of \$11.34; and Fort Meade reflects a decrease of \$10.00, but is still the very highest on this comparison. Ms. Hurtubise said it is worth noting that the ARP average that is displayed on this chart decreased \$3 since last month. She said she made a statement last month that if we were to lower our PCA \$4, which we ended up doing, we would be below the ARP average. The ARP average moved down \$3.

Mr. Summerhays said the decrease does not take effect until October.

Ms. Hurtubise said that is correct and this is August so there are two months where the ARP average could increase. She said it is a moving target and we can continue to lower, but relative to the other cities, we have to lower our rates more to gain any ground. The 2,500 kWh comparison shows FPUA in the same spot as the 1,000 kWh comparison being the 6th highest. On the local utility bill comparison, Fort Pierce as compared to Port St. Lucie, St. Lucie County Utilities, and Vero Beach for the month of August, Ms. Hurtubise said the only difference is there was an increase in FPL's storm charge. It increased to \$1.23 for 1,000 kWh from \$0.54. She said this is an information only item and does not require any action from the Board.

Mr. Drummond said he thinks it is important that we repeat what Ms. Hurtubise said and what Mr. Summerhays followed up with that we are looking backwards to August and there has been movement with regard to our PCA. He said that by November we should see the effect.

Ms. Hurtubise said that is correct. The comparison for October will be in November.

Mr. Koblegard said these charts show us 6th in the highest of the 1,000 kWh customer, but \$3.48 lower on the bill, we would move 7 places to the left. He said the chart sometimes makes it look worse than what it is. He does not know what goes out on the television, but it might be important to get that point across too.

Mr. Drummond said he whole heartedly agrees and as we looked at last month's comparison, it was about 4 or 5 additional utilities that were within \$2 or \$3 of us as well. It is getting better.

Mr. Summerhays said everybody is so tight now that when the \$4 kicks in, assuming they did not all do the same, we should be just about in the middle.

Mr. Thiess said he wanted to update the Board on the contract with the consultant to look at the contract rate of delivery exit from FMPA. He said the contract language has been drafted and has gone into the review with the attorney and Risk Management and we hope to have it ready for the Board's signature at the next meeting, which will be October 19th.

Mayor Benton said a couple of months ago he told the city about his \$600 utility bill and how grateful he felt the next month when he put the thermostat up and it came in at \$500. He said last week he thought he was doing a real good job because his monthly utility bill came in at \$317. He was ecstatic and went through the office and told everyone. Mayor Benton said he called Mr. Thiess and then his son called him the next day to say that FPUA came in to change his meter. He wanted everyone to know that the Mayor does not get treated any different than anyone else. If your meter is not working right, you get a new one and he is waiting to see what next month will bring.

Mr. Drummond said we will wait with great anticipation for next month when Mayor Benton comes in to say his bill went down again.

Mayor Benton said he does turn off the air conditioner in this beautiful weather and even turns it off at the breaker so his kids cannot turn it on.

Mr. Perri said that recently he saw an article in the Miami Herald about wind energy and how much it can help the east coast of the United States. He said it broke the different states down and suggested that off shore wind could supply 16% of Florida's power. Those studies should continue and he thinks they are starting to permit some of the northern states for off shore wind and we should be encouraged to look at those options.

Mr. Perri said he sees where Jacksonville Utility Authority rates went up 12% and it looks like from the article he read their rate was \$148 for 1,000 kWh. We are not the only ones and everyone is trying to get their rates down. Sometimes they go down and sometimes they go up. He said he thinks we are doing a pretty good job of what we have to work with and hopefully before the end of the year we can drop the PCA a little bit more.

Mr. Perri asked if Mr. Recor can help him about where we are on the mandatory hookups for wastewater.

Mr. Recor said that the City is in a contractual dispute with their consultant that is coordinating the re-write of the City's development regulation. He said that is where the planning staff's focus has been for the last two weeks and for the next foreseeable weeks. An update should be available to the Board at the next meeting. They have taken some initial steps without the initial meeting and Commissioner Becht has been involved in those discussions. The LDR contract and its value and significance has taken priority. Mr. Recor said like this organization, they are down to the bare bones in terms of the numbers that they have. He said he calls it an impact and every time there is an impact they try to identify it and this is one of those things.

Mr. Drummond said the situation in Port St. Lucie earlier this week with the water main breaking because of the contractor, is a reminder to us all particularly with the older lines we have, it could be a major impact if we do not look in terms of the strength of our utilities underground. He said we take for granted the old lines are under there until something like that occurs and we have to keep our renewal and replacement program moving.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN