

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, OCTOBER 19, 2010, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman, Darrell Drummond; Vice Chairman, Pamela K. Cully; Secretary, Michael A. Perri, Jr.; Deputy Secretary, Robert W. Summerhays, 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 of Electric and Gas Systems; Evelyn I. Walker, Director of Shared Services; Timothy E. Perkins, Director of Water/Wastewater Systems; Putnam Moreman, IV, Acting Risk Manager; and Samuel L. Barnes, Director of Procurement, City of Fort Pierce (*arrived at 4:05*).

The meeting was called to order by Chairman Drummond.

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

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

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

1. Approval of the Minutes of the Regular Meeting of October 5, 2010.
2. Approval to piggyback State Contract Number 250-000-03-01 for the procurement of 60 Personal Computers and 45 Laptops from Dell Marketing LP, for the total amount of \$178,500.00.
3. Approval of the ArcGIS Desktop Applications Annual Maintenance Contract Renewal from Environmental Systems Research, Inc., Redlands, CA, Bid #5671 for the estimated amount of \$32,430.00 with a 10% contingency and annual renewal options.
4. Approval of the Microsoft Licenses Software Assurance Maintenance renewal from C.D.W. Government, Inc., Vernon Hills, IL, GSA Contract #GS-35F-0195J in the amount of \$83,503.75, with a three-year renewal option.
5. Approval of Replacement of the Reverse Osmosis Plant's Chemical Feed Lines with a budget transfer of \$44,000 and authorize the Unit Price Contractor to construct this project at a "Not-to-Exceed" cost of \$44,000.00

Notes were received from The Mustard Seed thanking FPUA customers for the amount of \$553.34 and Electric T & D in the amount of \$100.00 for the months of August and September contributed through Project Care.

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A letter was received from SSG Matilda Ott, who is currently serving in Afghanistan in the Army, thanking FPUA employees for the care package.

Kathy Gordon, Vice President, Senior Consultant of Siver Insurance Consultants, presented Siver review and recommendations for the FPUA 2011 Benefit Plan for Employees. Ms. Gordon said the Board had in their packets the very detailed report about what is changing and what is staying the same on the Health Insurance, Dental Insurance, Life Insurance, Long Term Disability Insurance, Vision Insurance, AFLAC products that employees pay for and all the various little ins and outs. She said the big picture, the most important thing is this year for the Health Insurance, Siver is recommending no increases in funding. For 2010 the funding was a little conservative and was more than what was spent so far this year. While there are some minor increases in the Stop-Loss Insurance and the administration fees, that total is about \$20,000 in cost. Ms. Gordon said they are not recommending any increase, but are recommending benefit plan changes so the plan is completely in compliance with Health Care Reform. She said they are recommending one minor plan change and that is making colonoscopy in Blue Cross's Network not subject to deductible and co-insurance, which they are currently. They will be more similar to how mammograms are covered with employees paying nothing. Ms. Gordon said she does not know if that is enough encouragement to get a colonoscopy, but she hoped so. She said they actually wanted to make the benefit exactly the same as the mammogram benefit, but are concerned that making the change would basically not provide coverage out of network where we do not get Blue Cross's discount and just provide coverage in network where we get the discount. That is how mammograms are covered, but if we delete or reduce a benefit, we would lose our grandfathering status the way we understand Health Care Reform right now. We are retaining FPUA's grandfather status, which means there are a few changes with Health Care Reform that FPUA has not had to make yet. In general, the renewal is great from Blue Cross for the Health Insurance. Employers Mutual, Inc. (EMI), FPUA's broker, did a great job getting Stop-Loss quotes. The Dental Insurance is similar to the Health Insurance, where the claims have been less than the funding and is self-insured. Siver is recommending no increase in the funding in the Dental Insurance. FPUA staff applied for and was accepted into the Early Retiree Re-Insurance Program (ERRP), which is a component or sub set of Health Care Reform. When claim filing starts happening and FPUA has early retirees between the ages of 55 and 65 and have claims in the self-insured plan over \$15,000 for an individual and under \$90,000, FPUA will get those dollars reimbursed by the federal government once the program is up and running. FPUA staff has taken care of the initial steps of everything they can do so far. Ms. Gordon said there will be a slight change, but FPUA will continue to offer through Blue Cross the retirees over 65 a Medicare supplement, which will be less expensive than the Health Plan as an option. She said last year they had two choices, but this year they have only one, but they will still have an option. FPUA staff is continuing to really push various different wellness initiatives including some non-smoking initiatives, which everyone can see the value of. Health risk assessments are being done with

the help of Blue Cross. Ms. Gordon said she believes the wellness initiatives have helped and made a significant value and difference and that is one of the reasons that FPUA is not looking at an increase as so many entities are this year. FPUA staff is looking at various options to do some sort of health clinic, which they have talked about over the last couple of years. Right now they are looking at trying to negotiate with Physicians Immediate Care to try and come up with an acceptable contract to provide an alternative with no co-payment costs to employees for urgent immediate care and to get some of the wellness checks at a discounted rate. FPUA staff is going to continue to negotiate that and the final will have to come to another meeting. Everything else is pretty much the same with the only significant increase being 7% in the vision rates, which have not been increased for the last three or four years. That is solely paid by employees and Siver is still trying to negotiate that away, but have not been successful. Hopefully, before enrollment they will be successful.

A motion was made by Mr. Perry, seconded by Mrs. Cully and unanimously carried to approve of the review and recommendations from Siver Insurance Consultants setting forth the terms and conditions of the 2011 Benefit Plan for Employees.

John Tompeck, Gas Operations Superintendent, presented the Natural Gas Rate Stabilization Fund Update for October 2010. He said they reran the sensitivity analysis using August data and preliminary data from September. There are some changes from previous reports on looking at the curves. Mr. Tompeck said they stopped running the curves without the \$0.05 increase in PGA, which was made in June. The earlier curves tried to test out the methodology and it worked fine and he took them off so it would not clutter up the chart. They are using the original curve that was developed in May, which included the \$0.05 increase for the PGA as a baseline, which is the red curve. The curves also reflect an estimated amortization charge for PGP#2 in September. We have not received the exact amount, but Mr. Tompeck said he wanted to include an estimated charge because it does affect our future plans. Now that we have moved out of FY10, our cost for gas has decreased for a couple of reasons. Our gas hedges for 2011 are less costly than the ones in 2010 and the price of gas is continuing to drop. Just for clarity, Mr. Tompeck said he wanted to talk about hedged gas to make sure everyone is clear. He said in their context, hedge gas means pre-purchased gas. Their gas hedges are physical hedges which mean they are pre-purchasing the gas at a fixed price and it requires them to buy the gas at that price in the future. They are not finance hedges or options or any other complicated financial instrument. We hedge a portion of the gas to stabilize the prices and try to get the lowest price we can. Looking at the curves for September and October they are so close they cannot be differentiated and as we move out of the September timeframe into October, we are moving to a point where we are starting to over collect. Mr. Tompeck said he ran two additional curves so they have some options. He ran a curve that has a \$0.05 decrease in PGA in December and \$0.05 decrease in January. In both those cases, we have reached the rate stabilization floor in May for the December decrease and July for the January decrease. The second column shows the gas usage numbers and that is the amount of gas we

estimate we will use for those months during 2011. The next column is what we have actually pre-purchased or hedged to this point and that represents between 60% and 70% of the gas usage per month. Next is the average price of the hedged gas and includes the cost of gas and transportation. Mr. Tompeck said what is key here is if you look at the end of the column, there is a number that says \$6.45 and it is essentially the average price of hedged gas. Between 60% and 70% of our gas is priced at about \$6.45 per dekatherm (dth) and it is right at the \$0.30 PGA mark. What is left after we hedge the gas is the swing volume, which is the volume of gas we buy at a particular month at the market price. The next column is the swing volume price and it was based on the NYMEX numbers of last Monday and those numbers are quite a bit less expensive because the price of gas has gone down. The bottom line for our swing volume gas is about \$5.27/dth and that is considerably lower than the \$0.25 PGA number. When we look at the total average price, what you will notice is at the \$0.30 PGA number, we will be over collecting for the entire November to September time period. Whereas, if we are at the \$0.25 PGA number, we will be under collecting. Mr. Tompeck said we are right in between those two numbers. What will determine in the future where we are in terms of over collection and collection, is actually the price of the swing gas. He wants to give the Board an understanding of what the natural gas pricing has looked like in the first ten months of this year. It swung between about \$6.50 and the chart was done on the 11th of October and even since then it has dropped down about another \$0.10 to \$3.50 and that does not include the transportation. The transportation is about \$1/dth. What we try to do when we hedge gas is we normally try not to hedge gas during the first few months of the year because it is in the heat of the season and the gas is a little bit higher. We usually wait until April, May, or June timeframe to hedge gas and actually hedged some gas in April and in June. What has happened recently is after June, there is a little bit of a run up in the price and not so much based on supply and demand, but based on a run up prior to hurricane season. Everybody is concerned about a tropical storm or some other natural disaster in the gulf so the price ran up a little bit more, but it is starting to come down again in August as people get a little less nervous about what is going to happen. We hedged a little more gas at the \$4.30 mark and it has continued to fall down. What we are looking at is trying to make the determination about moving the PGA based on the price of the swing volume and are trying to estimate what the price will be. There are a couple of factors that indicate to us the price of gas is going to remain fairly stable. It might go a little bit higher when we have a normal winter run up, but unless there is some other situation that happens, it should not be too bad. The production of the natural gas is up about 5% over last year and the demand is up about 3% over last year. Mr. Tompeck said most of that increase in demand is strictly power plants and industrial users. We have a perfect example in our neighborhood of Treasure Coast Energy Center. It is a very efficient plant that runs on gas and originally they were not necessarily planning to be a base load unit, but because the price has been so good and it is an efficient plant, they are running full time. The underground storage inventory is high with a lot of injections and they have exceeded their normal average. They like to have their storage complete before winter. The rate count, the number of rigs that are producing natural gas is the highest it has been in 2010 and some of those rigs have switched from oil to gas. The number of rigs dedicated to natural gas is up 34% over the last year so they are

producing a lot of natural gas. The other thing that has happened is the number of gas rigs that are associated with shale gas has increase by about 55% of all the rigs. What is important about that is there is a little less dependence on the gas fields in Texas and in the Gulf. Another indicator is the imports from Canada have also decreased. We are only importing less than a billion cubic feet a day and that is a lot less than it has been in the past. These price indicators give us a pretty good idea that unless something unusual happens, gas is going to be fairly stable. Mr. Tompeck said these predictions are based on our usage. We had a predication in 2010 of 289,000 dekatherms and it was very close. We used 288,601, so we were less than 1% off. The first couple of months of the year, October through December, we were a little bit below our estimate and then in January, February, March, and April, we were a little bit higher. The actual costs were tracked the same way and we were very close to the curve and expect to be very close to the curve this year as well. There are a lot of moving parts and we feel fairly confident the cost of gas is going to be relatively stable. We would like to recommend at this time that we continue to monitor the rate stabilization fund until our normal report in December and then make a recommendation on whether to drop the PGA.

Nina Hurtubise, Finance Director, presented the August 2010 Financial Operating Results. She said the year-to-date increase in Net Assets continues to grow and is \$4.2 million for the eleven months. That is a 16% increase over last year in spite of a 35% decrease in Capital Contributions. Ms. Hurtubise said we continue to see an improved cash position due to what turns out to be some very conservative capital spending. As of August 31st, the number of days of Operating Cash is 69 and will probably increase again in September. The Units Sold for eleven months through August 31st, these are the amounts sold to our customers, electric and gas, the Units Billed are up for this year, but are down for last year. In water, they are up for both 2008 and 2009; wastewater Units Sold are down as compared to both 2008 and 2009; electric is up about 4.1% over 2009, but down 4.6% in 2008; water is up 1.4%, but down 0.5% from 2008; wastewater is down 3.6%, but down 9.5% from 2008; natural gas Units Sold is up 2.2% from 2009 and down 0.3% from 2008. The electric revenue, although it shows on the graph it is down 1%, when we take out the reduction in the PCA, which was down about \$2.5 million as compared to last year, we have increased Operating Revenue of about 4% in the electric system. In water the Operating Revenues are up about 4%, wastewater is down about 1.5%, and natural gas shows about a 3% increase, but the PGA went down this year. We have been charged and are collecting from our customers less as is the case with the PCA. That puts our Operating Revenues up about 6.6% in the gas system. Our 12-month rolling average of Operating Income from which we pay our Debt Service continues to be very stable. The Debt Service coverage is at 2.92, well above the 1.25 coverage that we need. Although the Operating Income is increasing, the reason the coverage decreased is because the interest rate on the fixed rate bond exceeds the variable ones that are falling off month by month that we had to refinance back in December. Mrs. Hurtubise said the big changes this year versus last year is our Operating Income overall was up \$3.8 million. If you take out those decreases that were

talked about earlier in the power cost adjustment and purchase gas adjustment, the Operating Revenues are up \$2.4 million. She said the adjustment we recorded last fiscal year for the Other Post Employment Benefits (OPEB) will finally fall off the radar screen starting next month because it was adjusted in September of 2009. It is down \$2.35 million from what we had originally recorded in 2009, but we did make a fiscal year end adjustment. We will no longer be seeing such large variances as a result of the OPEB. Our Employee Compensation and Benefits this year versus last year is down almost \$1 million in spite of the fact our depreciation expenses are up \$877,000. We are making an effort to properly value the assets we have on our books, write down assets that do not have as much value. Basically, we are shortening up lives; primarily this year was water lines. They just do not last as long as it says in the text book when we originally assigned those lives. We have very harsh climate here in Florida and we are making the corresponding adjustments. This is an information only item.

Mr. Drummond said that hopefully when we get to our retreat, we will have the opportunity to look at the amounts of on-hand cash days of operation. We may possibly have some opportunities to do some other things.

Ms. Hurtubise said absolutely. She said if we make any kind of adjustment, we want to be very careful that they are adjustments we can sustain. We are certainly looking at the reduced costs that we have been seeing and we are seeing the results of those reduced costs. Ms. Hurtubise said Mr. Drummond predicted very well the amount of capital money we ended up spending even with the reduction down to \$10.5 million. As of today, it was \$6.3 million and it is not going to be a lot more than that. There are still probably some accruals that we will have for last year, but if we compare that to the adjusted budget, that is only about 35% of the budget. Granted, there is the FPRA-funded that was deferred and there are always timing issues. That is where our extra cash came from, the money we did not spend. The problem is if it is money we never needed to spend, that is fine; but if we are just delaying those expenses, that is when we could get into trouble.

Ms. Hurtubise presented the status report on the Electric Power Cost Adjustment for September 2010. She said the new graph shows she has reduced the same data that has been shown in months past, which is two years worth of data. It is our over collection and our under collection of power cost over time, but she made it quarterly instead of monthly. By being able to see it all on one page, you can see that we started out two years ago in the hole almost \$1 million. The meaning of being in the hole is that we were under collected and our customers owed us almost \$1 million in power cost where we had laid the money out. As we all remember the worst situation was in June 2009, where we were almost \$4 million under collected. We had to raise the power cost adjustment (PCA) and in September 2009, we brought it down to virtually zero. This year we have been a little bit more conservative and the balance went down to about \$200,000. Ms. Hurtubise said to bring everyone back into the

month of September, the cost of power purchased from FMPA was billed to FPUA at a rate of \$73.53 for 1,000 kWh. She said that is a decrease of \$13.48 as compared to August. Their rates continue to fall and this is a wonderful thing. As a result, we had an over recovery in September totaling about \$1.1 million and cumulative over recovery of about \$1.4 million through September 2010. In addition, Public Resources Management Group (PRMG) has projected for us that, based on FMPA's projections of costs and PRMG's projections of how much power we expect to need and sell, the projections look like we may have an over collection of as much as \$4 million by the end of the next fiscal year that will ultimately end up being an under collection of about \$433,000. Ms. Hurtubise said this may help to show the volatility and how the prices of power increase and decrease. She said the graph shows where we are under collected the \$4 million and then we recovered back up again to September. In the beginning of the year we tend to over collect like the months where we are right now. Again it came down to virtually zero in the last couple of months and the month of September 2010 where there was a \$1.1 million over collection and \$1.4 million cumulatively.

Mr. Summerhays asked if the \$4 drop takes effect in September or October.

Ms. Hurtubise said it was October and it is not reflected on the graph. The orange bars reflect the projections. Early in the fiscal year, the over collection increases and then it falls so that we end up under collected. The under collection of \$400,000 is being projected twelve months and lots of things could happen between now and then. Provided in the Board packet is the table that compares what FMPA has projected historically and comparing it to the actuals. They have been doing a better job. Although in very recent months, the 50% confidence level has been very reliable, when we looked back twelve months, in reality the 70% confidence level is very close to what the prices for the entire year turned out to be. Staff is not recommending a decrease in the PCA at this time; however, we will continue to watch it and perhaps next month the situation will change. We just want to keep a very close eye on the projections versus what is actually turning out. In the last couple of months they have consistently been below what is projected.

Mr. Drummond said as a follow up, particularly this month really nailed the 50% confidence level. He said he agrees the 70%, if we take in the last 12 months, most certainly shows some of the volatility that we were having. In the last four to five months, clearly they have been coming in at the 50% confidence level. Mr. Drummond said he for one, although he sees our consultant has given us a year going forward at the 70% confidence level, would like to see where we would be at the 50% confidence level. If they continue to come in at that level then it would afford us an opportunity to revisit the PCA versus taking the 70% for the balance of the year.

Ms. Hurtubise said in reality, because this chart represents the over collection and under collection, the curves are about the same. Whether it is 70% or 50%, we just need to see the actual numbers come in lower and we can lower the PCA. In the packet to the Board was a

projection of PCA using the 50% and it shows a gradual decrease we might be able to do if we are willing to rely on those 50% confidence levels. What it shows, if we rely on the 50% confidence level, and this is just a possibility of how to go about doing it, a reduction of \$2 is reflected in November, another \$2 reduction in December, another \$2 reduction in January, and in the month of February a reduction of \$2 assuming the 50% confidence pans out. Ms. Hurtubise said she agrees they have been, but staff was not anxious to make that recommendation at this time.

Mr. Drummond said he understands the conservative nature and he is just one voice here, but if it remains this way for at least another month, we should certainly be looking at making some sort of adjustment downward.

Mr. Summerhays said he would prefer to go further out. He said he agrees that he is heartened by the current over collection we have in September, but he does not want to go too far out on a limb making changes based on projections because that is how we got \$4 million in the hole.

Mr. Drummond said he does not remember it that way.

Mr. Perri asked if this is about where we were when we did the first \$2 reduction from \$54 to \$52. He asked if it was the same situation and we went ahead and dropped it \$2.

Ms. Hurtubise that is correct, but what is different now is we have a little bit more banked than we did then. She said this is where we are today and we were at zero then. We are \$1.4 million better off than we were this time last year. It was in November last year when we reduced the PCA.

Mr. Perri said it was November because that was the first month he was on the Board.

Mrs. Cully said she would not be too hasty also along with Mr. Summerhays and wait a couple of months just to see for sure where we are, considering what we have been through. She said maybe in December we could take a look at it.

Mr. Drummond said from his perspective if we continue to see the 50% confidence coming in, we are going to see the amount we are billed to continue to decrease and so the amount of the over collection is going to grow even higher to what we are seeing on the 70%. He said he for one at that point is going to be eager to try and make some sort of reduction in the PCA.

Mayor Benton said to count him in on that one too. He said, if we can, we should. When we can give the folks a break, we should.

Ms. Hurtubise said we will be back in a month.

Mr. Perri asked if there was a possibility of reducing the base rate through some creative means.

Mr. Thiess said that is right. We are looking at that and getting somewhat close at having that information compiled. We still have to go through it and sort some things out and look for consistency. He said within six weeks and working around the holidays he expects to have a workshop between now and the end of the year. At that point we would have a staff recommendation "if we do this we will get here". It will be a spreadsheet to pick and choose from, but if it looks like we want to go in one of those directions or pick a group of reductions that we want to implement, at that point we would go back to our rate consultant and have him work it up. Mr. Thiess said like Ms. Hurtubise said before, it would have to be sustainable, long term commitments to cut in these areas. He said it looks like we are getting into maybe a \$3 to \$5 reduction, but we will not know until we get it all sorted out.

Mr. Drummond asked if that would realistically hit before the beginning of next year.

Mr. Thiess said it definitely would not be before next year on the base rate. He said we would need a lot of time to make sure we are very comfortable because it is a long term commitment. We do not want to lower the base rate and have to go back and raise it. The PCA we could adjust very readily on the fly, but the base rate reduction and increase is FPUA and City Commission approvals.

Mr. Thiess said there is an item in the signature package for an Agreement with WHH Enterprises, Inc., which is the agreement to look at the contract rate of delivery exit option from FMPA. He said that work will commence shortly after this is signed which is presumably today and a delivery date on that contract is February 1, 2011. Mr. Thiess said they left themselves some room with February 1, but we did not want to hold them to something right at the holidays knowing that work sometimes get slowed down during that period.

Mr. Thiess said we had some discussions about the mandatory sewer connections and the City was moving in their Comp plan towards some kind of language. He said he does not have any information on where they are on that. Mr. Thiess said FPUA wastewater staff, Tim Perkins, and he have been meeting with Commissioner Becht and trying to lay out the groundwork on implementation. He said the comp plan is a whole different issue and the actual implementation requires some other groundwork. What has been done is they have identified properties that have been notified and been given 365 days notice that by state law they are required to connect and seeing which of those are due to be connected. They have also looked at with the GIS System other properties that by the state law have sewer available. They would have to get the 365-day letter. No matter what FPUA does in reference to a policy to enforce mandatory connection, which is the state law, we need to first identify which properties are subject to that and which ones got the letter and need to get the letter. Beyond that, they have

been discussing general strategies on how to go about this and the jury is still out on that. We do not know where we are going on that; it will be a lengthy discussion and at some point when we get some information, this Board will be involved.

Mrs. Cully asked if there are a large number of connections to be made.

Mr. Thiess said there are potentially a lot. He said there are two different mandatory connection policies in effect right now and he is not sure where the City is going to go on theirs. The City's is 100' and the State Law is adjacent, so the 100' catches a larger number perhaps several hundred and the adjacent is about 150. These have not been verified and are only based on our GIS with setting a limit of how far pipe is from the house. We would have to go in and verify each one of those individually before we send them a letter. It will not be done based just on the GIS analysis. It could be hundreds of properties.

Mr. Drummond said Mr. Thiess indicated that there would be an opportunity for the Board to have some input into this and would it be ahead of sending a letter.

Mr. Thiess said that could be done. The letter in the past has been of very little consequence because nobody has taken the initiative to enforce the state law because of the annexation requirement. He said what has been heard from the Health Department is yes they could force them to take sewer, but they could not force them to sign the annexation agreement. If they voluntarily sign the annexation agreement, then they can force the connection. The only thing they can do is deny a permit for expanding or repairing the existing septic tank system. If it got down to where a system was not functioning and they need sewer service, the property owner would have to make a choice to sign the annexation agreement and get sewer service or be without all together. That is the hurdle FPUA has not been able to get over and looking at options to do that is going to be a painstaking process and very definitely this Board would be involved in it. We would be glad to bring a list back to the Board before letters are sent out, but the letter at this point carries potential consequences, but in the past it has not been forced.

Mr. Drummond said he is like Mrs. Cully and would like to see just how many are out there ahead of possibly having everyone flush.

Mr. Thiess said it can be brought back to the Board as an information item.

Mr. Koblegard said that some time 2 to 3 years ago, we attempted to purchase two acres from Abbiejean Russell next to the water treatment plant. He said we had a contract and the appraised value was \$88,000 an acre and we needed two acres, but with our easements on a portion of it, we were able to negotiate a contract at \$126,000. The closing was set and the mortgage company that has the financing on Abbiejean refused to release the two acres unless they got all the closing proceeds, plus an additional \$40,000. Abbiejean would have to go out

of pocket to sell us the land so they needed to get out of the contract. We discussed trying to force them to go ahead, but decided maybe that was not the way to do it. We decided to move ahead with condemning the two acres. The Board approved a resolution for that to be done. Mr. Koblegard said we have had an appraisal done by Dan Fuller's office and it came in at less than what we are trying to buy it for and it sounded good. When he factored in their loss of density from the two acres they could not transfer to the remaining parcel, it drove it up closer to \$200,000 as a potential verdict, which we thought was excessive at the time in light of the fact that things were slowing down and we may not have needed it as badly as we did earlier. We have kind of let the condemnation action move along at a slow pace trying to keep down spending money on the other side, while Abbiejean has tried to find another bank to refinance with. Mr. Koblegard said that out of the blue Abbiejean contacted him and wants to have a conference on Thursday about going ahead and closing on the old contract. Thinking that they had their new financing, we can still go back and purchase for \$126,000, which would still be a very good deal. He said he still has the money in his trust account to close the deal. If it works out it will be a good ending for that story. He will know more next meeting.

Mr. Thiess said that property was for the second deep injection well at the reverse osmosis plant, which without that we would have to go to a great deal more expense to site that well.

Mr. Koblegard said it could be as high as \$600,000 without that parcel.

Mr. Drummond stated that as it stands now, no action is needed by the Board since they have already given their approval.

Mr. Koblegard said he hopes to have another contract to bring to the Board for approval.

Mr. Perri said he was just reading an article on natural gas and they really expect it to stay down low for several more years. They have tapped into shale gas in Pennsylvania and other areas of the country and it looks pretty promising that it is going to stay down. Hopefully that will give everybody a break on their electric eventually.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN