

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, NOVEMBER 2, 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.; 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; Putnam Moreman, IV, Acting Risk Manager; Levette Dixon, Communications Manager; and Gelencia Carter, CFP Purchasing Manager.

Excused: Mayor Robert J. Benton III

The meeting was called to order by Chairman Drummond.

The Invocation was given by Reverend Moses Hill of Moses Hill Ministry.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

William McNeely, Jr. of 2705 Sunrise Boulevard, Fort Pierce passed out some information from the U.S. Department of Energy (DOE) about Net Metering Policies. He said in January 2010 he decided to pursue a long time goal of his, which is to install solar electric in his home. When he did that, he received an agreement from Fort Pierce Utilities and Mr. McNeely has included the cover of the agreement with the information he passed out. Mr. McNeely said in the agreement it says "as part of our commitment to support renewable energy, Fort Pierce Utilities Authority is proud to offer net metering". He researched that agreement and put together some equipment to add solar energy to his home. The agreement he signed is filled with policies that he is required to commit to. He got permitting from the City of Fort Pierce to install the solar system, thinking it was a net metering program. Mr. McNeely said the definition of a net metering program as stated in the U.S. Department of Energy is "Net metering programs serve as an important incentive for consumer investment in renewable energy generation. Net metering enables customers to use their own generation to offset their consumption over a billing period by allowing their electric meters to turn backwards when they generate electricity in excess of their demand. This offset means that customers receive retail prices for the excess electricity they generate. Without net metering, a second meter is usually installed to measure the electricity that flows back to the provider, with the provider purchasing the power at a rate much lower than the retail rate." Mr. McNeely said that was very clear to him and seeing that net metering was on FPUA's cover letter to him, he would not have pursued this long time dream of his to set up a solar generating station to power

electricity from his home. He said about four days after the system was installed and approved by Fort Pierce Utilities, his meter was removed and a digital meter was installed. The digital meter in the definition of net metering is the exact opposite. A second meter is usually installed to measure the electricity that flows back to the provider with the provider purchasing the power at a rate much lower than the retail rate. Mr. McNeely said that we all know those rates, the retail and wholesale. He was really surprised when he started studying his bill to realize what had happened after he installed the system thinking he had net metering, but he does not. During the day time if he is not using any electricity and any person in the city limits that is with FPUA in the future, their meter does not run backwards, he does not get credit for that. Instead it registers on the digital meter which repays Mr. McNeely at a wholesale rate, while at night time the consumption rate is almost three times higher. When that meter runs, he is being charged the retail rate. When he looked at the estimates to pay for a solar system, it might take seven to ten years, now he is talking about 21 to 30 years to repay a system because it is not net metering. There is no net metering in Fort Pierce, but FPUA is advertising that they do. Mr. McNeely said as a pioneer locally, this is something that he has been dreaming about since solar panels came out in the 70's. He put solar hot water on the house in the 80's and could not afford to do it until this year. He said he has gone through this in other areas where he has to make a decision if he wants to be progressive in his thinking and try to install solar because it is so good for the environment. It is a major sacrifice for him financially to do it and he is not doing it to make a profit, but because he loves Fort Pierce, loves the environment, and mother earth. He reduced what he consumes and if he is going to consume a lot of electricity, he might as well be making some himself. Mr. McNeely is asking the Board to take a look and see if they could adopt a true net metering system. He said in reviewing the laws of the State of Florida, which only governs private utilities, those laws reflect everything that is in the contract. All the guidelines in the contract he signed and entered with Fort Pierce and had to fulfill to create this power station were taken from Florida's state law except for the very last page of that law, which lives up to the definition of net metering. It requires a banking system, a saving system by running the meter backwards; it is saving it for future use. It requires at least an annual payment back to the customer if there is excess. Mr. McNeely said he is speaking to inform the Board that the net metering system was outlined by the United States Department of Energy for one reason; to inspire the citizens to go green and to add alternative green energy generation systems to their homes. He said here in Fort Pierce, they do not live up to the true definition of words net metering.

Mr. Thiess said Mr. McNeely is correct that true net metering is when the meter goes backwards and they are compensated at the full retail rate. He said what FPUA is doing is net purchase and sale, which is similar but different. The main difference is the compensation for the power coming back into the grid is less than the full retail rate. FMPA's agreement is a net metering agreement, but we are talking syntax here and more correctly it should be a net purchasing and sale agreement. Mr. Thiess said the solar power expenses take a subsidy to make it hit a breakeven point in a reasonable amount of time. It takes a subsidy on the construction costs, for which there are state and federal subsidies. It takes a subsidy on the

rate paid for what is coming back into the grid to make it happen from an operation standpoint. FMPA and to this point, FPUA, made a conscience decision not to subsidize solar power. That may change and we plan on discussing it in our strategic planning workshop coming up in December or January, but to this point that decision was made by FMPA with the input from all 30-member utilities that they did not want to subsidize solar power at this time because of the rate situation with FMPA. Mr. Thiess said that could change in the future, but it is not going to change in the foreseeable future. He said all the other FMPA utilities with the exception of Jacksonville Beach are compensated the way we are, which is the avoided costs. The avoided cost right now is about 4.9¢/kWh, which is FMPA's cost to get power to our back door so we can sell it to our customers. Each utility under the FMPA Net Meter Agreement has the ability to add to that at their expense. FPUA could raise it from the avoided cost of 4.9¢ up to the full retail rate which is now about 13.5¢ at our cost. There is no value in that for us or our customers because what it amounts to is a subsidy of solar power and to this point, we have not taken that step. We can certainly discuss that and the net metering definitions with the FMPA staff. They might want to change the definition of the agreement because it does conflict with the DOE guidelines and the Public Service Commission guidelines for net metering. Mr. Thiess said maybe we need to clear up that syntax problem, but as far as additional payment for power delivered back to the grid that would be a decision that this Board would have to make, if they choose to subsidize solar power. Those costs are borne by our other rate payers who choose not to use solar power or cannot afford to use solar power. That burden does go back on the other rate payers.

Mr. Drummond said it sounds like Mr. Thiess is suggesting if indeed we are asked to make a policy decision on whether or not we want to subsidize that, Mr. Thiess would be willing to bring that discussion to the Board at the strategic planning workshop.

Mr. Thiess said that is already on the rough agenda for the strategic planning workshop because we will be looking at a lot of this with the Green Mile and initiatives going on with the County. There will be a lot of pressure to do that and it is a decision this Board has to make on how much will be put forward out of our pocket to make that happen. The ratepayers would have to bare that burden or are we going to say it has to pay for itself. Mr. Thiess said it is a decision this Board would have to make and it can be discussed in strategic planning.

Mr. Drummond asked the Board if they were comfortable having it come to them then. It was agreed by the Board.

Mr. Thiess pulled from the Consent Agenda, Item B.7 – “Approval of the Medical Services Agreement with Physicians Immediate Care to provide health care services to FPUA employees and families as described in attached Agreement and presentation”. He said staff would like to pull it from the agenda altogether.

Mr. Perri pulled Consent Agenda, Item B.3 – “Approval to increase the first one-year renewal option for Bid No. 5941 – Vehicle Maintenance and Repairs with Reliable Tire & Auto Care Center, Fort Pierce in the amount not to exceed \$30,000, for a total not to exceed \$50,000 annually”.

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

1. Approval of the Minutes of the Regular Meeting of October 19, 2010.
2. Excuse Mayor Robert J. Benton III from today’s meeting as he is on vacation.
4. Approval to piggyback GSA Contract #GS-30F-1028G, for the procurement of an Altec Model No. L42M Bucket Truck-Material Handler, from Altec Industries, Inc., in the amount of \$173,211.00.
5. Approval to piggyback GSA Contract #GS-30F-1028G, for the procurement of an Altec Model No. L42A Bucket Truck, from Altec Industries, Inc., in the amount of \$131,428.00.
6. Approval of payment to Florida Municipal Electric Association for dues for the period October 2010 through September 2011 in the amount of \$36,257.94.

Mr. Perri said he pulled Consent Agenda, Item B.3 – “Approval to increase the first one-year renewal option for Bid No. 5941 – Vehicle Maintenance and Repairs with Reliable Tire & Auto Care Center, Fort Pierce in the amount not to exceed \$30,000, for a total not to exceed \$50,000 annually” because he is a little uncomfortable with the fact that it says there are no alternatives. He said a rebid might be an alternative, but he is not sure at this point. Mr. Perri said he is a little distressed about the increases of over 10%. We are asked to decrease our power cost to consumers and we have somebody here that is increasing their services to us by 10%. Mr. Perri said he thinks there should be some more dialogue and cannot support it unless it reflects the numbers we had last year.

Dewey Hudman, Administrative Coordinator for Water Distribution, said what they are trying to do is add three more departments to this contract so they can share the rates. He said the value of the contract is increasing, but not the rates they are paying. They bid a two-year rate and at the request of Mr. Perkins, we have other departments under his guidance that would like to add their right to purchase.

Mr. Perri said he understands that, but the right to purchase is at an increased rate of the original contract and that does not make sense.

November 2, 2010

Page 5

Mr. Hudman said there was two years on that contract, the first year was one rate and they had an option to bid the same rate or change the rate and that is why we have two years. He said they are trying to encourage the vendors when they make their bids to give the best rate on a year by year basis so that if the bids are renewed they have the option to increase 3% or increase a flat amount, or no increase.

Mr. Perri said that does not make sense to him at all. What good is it having a bid if they have the right to increase it the following year. You might as well bid one year at a time.

Mr. Hudman said that is an option.

Mr. Drummond said his understanding is if they did do that, FPUA would incur the cost of the bid each and every year.

Mr. Hudman said that is correct.

Mr. Summerhays asked if the rates did go up 10% from last year to this year.

Mr. Perri said it looks like approximately 10%. Towing was \$45 and has gone up to \$50.

Mr. Drummond asked if the rate went up or is it that additional departments were added.

Mr. Perri said it is per unit and it should not make any difference if you add 50 departments. He said the man ought to be happy with getting more business.

Mr. Hudman said when it was initially bid there was a \$20,000 per year maximum and now that the other departments are being added, there will not be enough money in the maximum amount of the contract to allow the other departments to use it.

Mr. Perri said he does not have a problem with the maximum amount of the contract. He said he has a problem with the raising of the labor rate, raising of the towing, and raising all of the other unit costs such as flushing and transmission service. Everybody is on a tight budget and the company should be satisfied with the prices they had last year because they are getting more business. We are giving them the possibility of \$30,000 more in business and they are upping the price on us. Volume is supposed to get a better deal.

Mr. Drummond asked how time sensitive they are for this contract.

Mr. Hudman said they are not in that bad of shape. He said what they have had to do this month is they have created an individual purchase order to have repairs made. This company is used predominately for oil changes and service of the fleet. The other unit prices are in there in case they are needed and most vehicles do not require flushing of radiators and things like that.

November 2, 2010

Page 6

Mr. Hudman said their concern is they are keeping their fleet longer than they have in the past rather than replacing them. They are expecting to have to do more maintenance and some of the features offered in this contract may have to be utilized.

Mr. Drummond said he is wondering if it would be possible to bring this back in two weeks and have staff look into whether or not it would be more profitable to go back for a new bid.

Mr. Thiess said he only sees one bid schedule in his bid package and asked if the Board had multiple bid schedules. He said he sees a FY 2010 bid schedule.

Mr. Perri said the second page a quarter of the way down shows last year's prices.

Mr. Summerhays said oil, lube, filter change is up \$1.00, but Mr. Perri is right that everything has gone up across the board and some of the increases are very sizeable.

Mr. Perri said that increasing the man's business for \$30,000 a year, he should keep the prices the way they were.

Mr. Thiess asked Mr. Hudman the time sensitivity for the bid.

Mr. Hudman said they do not have a contract to have repairs made if something were to happen to their vehicles. He said they could do the old way, which is to go to a store and ask for a repair or oil change like we do for tires. We do not have a contract for tires so we are able to shop around. Mr. Hudman said they could take care of the repairs if needed for the time it takes to either rebid it or ask the vendor if he would be willing to renew the contract using the initial year rates.

Mr. Drummond said that would be his pleasure. Mrs. Cully and Mr. Perri agreed.

Mr. Summerhays asked if the item was going to be tabled.

Mr. Drummond said if we table it, it would require it to be taken up as is.

Mr. Thiess said he believes the Board would vote to disapprove the item that was brought today with the rates that are in it.

Mr. Perri made a motion, seconded by Mr. Summerhays, and unanimously carried to not approve Consent Agenda, Item B.3 – Approval to increase the first one-year renewal option for Bid No. 5941 – Vehicle Maintenance and Repairs with Reliable Tire & Auto Care Center, Fort Pierce in the amount not to exceed \$30,000, for a total not to exceed \$50,000 annually.

November 2, 2010

Page 7

A letter was received from Jan Swink-Huffert, Executive Director of the Children's Home Society of Florida, thanking FPUA employees for the 203 pounds of food they donated for their WaveCREST Shelter for the month of September.

Mr. Drummonds said very good and that he is glad to see it. He said 203 pounds is pretty impressive.

Nina Hurtubise, Director of Finance, presented the electric and other rate comparisons for the month of September 2010. She said this is the last month of the \$44 PCA and we are optimistically looking toward October and the \$40 PCA for our position in the comparison to look a little bit better. The graph presented on the screen is the residential rates as compiled by the Florida Municipal Electric Association (FMEA) and it displays FPUA as the 5th highest, which is one position higher than last month. Ms. Hurtubise said we are hoping to move quite a few slots to the left next month. Since September, seven utilities have increased their bills and four decreased their bills. She said two of them were quite notable and were All Requirement cities. Green Cove Springs reflects a decrease of \$14.54 even after a decrease of August of \$11.34. Their bills have dropped dramatically in the last two months.

Mr. Summerhays said they are the ones that shot up like crazy several months ago.

Ms. Hurtubise said that is correct. She said some of the cities adjust their PCA on a monthly basis and we try to hold the line so our customer's bills are more predictable. Havana reflects a decrease of \$14.77 and because of those very large decreases, the All Requirements Project (ARP) average decrease to \$130.11, which is about \$3 lower from the month before. Although in September FPUA is about \$9.73 above the ARP average, we are looking forward to that \$4 decrease in the month of October. That should bring us to a more competitive position. We also look forward to results from FMPA in the Power Cost presentation in two weeks. The 2,500 kWh comparison shows FPUA as 4th highest in the state and that is one position higher than last month. Our local bill utility comparison comparing Fort Pierce to Port St. Lucie, St. Lucie County, and Vero Beach for electric, water, and wastewater has no changes from last month. Ms. Hurtubise said this is an information only item and no action is required of the Board.

Mr. Summerhays said he noted with interest that in fact for the 1,000 kWh comparison FPUA would move six places over if last month was this month.

Ms. Hurtubise said that a couple of months ago she made the mistake of saying that if we just dropped \$4, we would be below the ARP average and then the ARP average started dropping.

Mr. Drummond said that continues to be the concern as we move so does everyone else.

Mr. Perri said in the future the 2,500 kWh might go to 2,000 kWh. He said there was some discussion at the Policy Makers Liaison meeting. It is confusing and will be a lot easier for people to interpret what is going on if it is 2,000 because they could just double it and say they are getting a better deal. It is hard to realize you are getting a better deal for higher usage using the 2,500 kWh figure.

Ms. Hurtubise said there are two issues there. She said the 2,500 kWh is simply what is published by FMEA. If they change it, then we would change.

Mr. Perri said he thinks FMPA is going to ask them to change. He said it makes sense to him that they change it and he believes they are going to request they change it.

Ms. Hurtubise said that because of tiered rates, 2,000 kWh is not always going to be necessarily twice what 1,000 kWh is.

Mr. Perri said that is his point. It is hard to decipher that with the \$2,500 kWh rate structure.

Ms. Hurtubise said that she agrees.

Mr. Koblegard said he mentioned at the last meeting about Abbiejean Russell and the possibility of going back to the original contract. He said they had their conference call and he did understand them correctly; they do want to close on the original contract. The new lender is doing a walkthrough this week. If everything works out, they hope to close around the first of December.

Mr. Summerhays said that a few weeks ago Tom Perona asked him if he would attend a meeting with him and County Commissioner Chris Craft. He said the subject of the meeting was the possibility of doing feasibility studies for getting the wastewater plant off of the island. They had a meeting and went over a few things and then met with the City of Port St. Lucie, where there was only one person from each Board that gets to vote. Vice Mayor Jack Kelly represented Port St. Lucie and they had staff members and consultants there. Mr. Summerhays said they met and came up with a plan of action, which involves staff getting together and seeing if there is any economic feasibility to this at all. That is where it stands now.

Mr. Thiess said they have had two meetings and at the first meeting everybody dismissed the temporary service scenario. He believes it was an 85% increase in rates on the wastewater side. The first two meetings have been very general stuff like the transmission system to get wastewater from Point A to Point B. They agreed on what it would look like and had run that out with a cost estimate. Mr. Thiess said his understanding at the last meeting is they are going to look at the cost of getting into that plant with intended cost for capacity using capital

improvement charges, buying capacity, building capacity, or joint ownership. The O&M costs would be a bulk rate or our share of an at-cost rate of doing the business. Mr. Thiess said Port St. Lucie's position is it does not do them any good unless they get flow within the next three or four years because they have 6 or 8 million gallons a day of excess capacity now and they would like to get revenue for that. That was the reason for going for the temporary solution because they have excess capacity and in ten years they might need it back. It fell apart on several accounts because the rate was wrong and because their treatment cost was three times higher than our treatment cost. We must add other costs in like pumping costs and other, facilities. We would have to build a \$7.5 million equalization basin on their site to accept our waste. The new scenario we wanted to look at would have to be from start to finish. We have to get from where we are now up to where we have 15 million gallons a day capacity somewhere, either at our mainland plant site or at the Port St. Lucie (PSL) site. The assumption was that they were going to go through the cost scenario assuming that the plant is going to come off the island and the cost of decommissioning that would be worked into the cost of the PSL service or the cost of building on the mainland. Mr. Thiess said he believes they are going to have those numbers within two weeks and his guess is they will be very high numbers. He said we have an asset sitting out there on the island that is paid for and there is no debt service on it. It is hard to abandon an asset like that and not incur some significant cost. We will look at the numbers and bring it back to this Board.

Mr. Summerhays said it also pre-supposes that a developer is going to step in altogether and pay about \$100 million for that property. He said in this economy it seems highly unlikely to him. This is a feasibility study and is a first that we are having reasonably friendly, productive talks with the City of PSL and that is a very good thing. Hopefully it will come to something that can be done, but he is not overwhelmingly encouraged.

Mr. Drummond asked if the City of Fort Pierce is involved in these talks.

Mr. Recor said absolutely and that Mr. Thiess has given the 5,000 foot level and he believes it is more of a 50,000 foot level discussion at the City. He said they have developed some momentum because they recognize that while the numbers for the treatment costs may be acceptable today, maybe higher; this is a decision that will affect citizens and residents that are here long after we are gone. It is a subject that has a lot of momentum and has to do with the long term sustainability of Fort Pierce. It is not contemplated that the property would sell immediately, but he imagines that the piece of property in the City of Fort Pierce minus the treatment plant, this is not conditioned upon the sale, but it would open up that property for the right kind of development and jobs that are necessary and needed in this community. Mr. Recor said to say that the City is involved is an understatement, it is a vision that is being driven by the City. Now we have a FPUA Board Member participation in those discussions.

November 2, 2010

Page 10

Mr. Drummond said he is very happy to see that everyone is talking friendly, but he is in somewhat in agreement with Mr. Thiess in that he views that particular plant on the island as an asset and would be remiss of giving an asset away.

Mr. Summerhays said it is an asset and it is hard to walk away.

Mr. Perri said a paid for asset with no debt service.

Mr. Perri said he would like to bring up one of his old subjects of changing the meeting, but he guesses he would have to wait for Mayor Benton to be here. He said he thinks it is time we get transparent and involve the public as much as we can in our deliberations up here. For that reason he will be bringing that idea back with a full Board. Mr. Perri said he believes we should meet at 6:30 and encourage and try for six months for the public to try and get here so we can receive their input. He said he thinks it is very important and we have a very bad light shining upon us on a by-weekly basis at the City Commission meetings about our rates. The public has to get involved and they have to know we are doing everything we can to keep those rates down. Mr. Perri said he asked one out-spoken critic of the Utilities Authority if he had any idea of what has happened to the PCA since last November and he said he is sure it went up. It did not go up, it went down \$14 and we are not getting the message out of what we are trying to do as a Board. The only way to get it out is change the meetings and encourage the public to attend. The public cannot attend if they have to work and the employers will not let them watch television while they work. The fact that it is on television, they cannot see and if they look at it in a delayed broadcast, the damage is already done. They cannot do anything about it or comment on it. Mr. Perri said he thinks it is something that needs to be done as a Board.

Mr. Drummond said he looks forward to it when Mr. Perri brings it with a full Board and it can be discussed. He said from his standpoint he would agree that we need to do a better job of getting this information out and that is not necessarily dependent upon when the Board meets. We have not been able to get the information out about the reduction in our PCA and there are some things we can do to improve. Mr. Drummond does not think showing up for our meetings like the one today is going to give a better indication of the lowering of the rates.

Mr. Perri said he thinks the more public participation like if you have five people here and they go out into the community and each one of them talks to five other people they will find out what is going on up here, that we are not their enemy.

Mr. Drummond said he is not disagreeing. It may be one way of assisting, but he does not think it is the only way.

Mr. Perri said he does not think it is the only way either, we need to explore all of them and start implementing some of them.

Mr. Drummond said he believes there are some that we can implement ahead of that which may have an impact. This can be discussed when we have a full Board.

Mr. Recor said this is a perfect opportunity to let the Board know that Commissioner Perona is working with FMPA to invite them to have a special meeting of the City Commission where FMPA officials like Nick will be available to respond to inquiries from the public. He knows this is not the first time Mr. Perri has brought the subject up and on the heels of that, the opportunity for the public to meet with FMPA officials and see the face behind the name may be the perfect opportunity to transition into January with a 6:30 meeting schedule on a trial basis.

Mr. Perri said that Commissioner Sessions suggested that we make sure we have it in the evening where the public can attend.

Mr. Perri said he would like to know where we are on the exit study CROD.

Mr. Thiess said the delivery date on that is February and the consultant is working with our staff in getting information. We are not anywhere near having a result to bring back to the Board, but as soon as we do, it will be discussed in advance of this meeting.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN