

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, NOVEMBER 16, 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 David Recor, Ex-Officio Member/ City Manager.

Others present: William G. Thiess, Director of Utilities; Nina Hurtubise, Director of Finance; Thomas W. Richards, Director of Electric and Gas Systems; Evelyn I. Walker, Director of Shared Services; Levette Dixon, Communications Manager; and Putnam Moreman, IV, Acting Risk Manager

The meeting was called to order by Chairman Drummond.

The Invocation was given by Pastor Ted Rice of St. Peters Lutheran Church.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

Presentation by Mark Mathis of the Florida Industrial Pretreatment Association Robert Heilman Program Award to Fort Pierce Utilities Authority for their Industrial Pretreatment Program. Mr. Mathis said he is bringing the award back from the Florida Industrial Pretreatment Association Conference that was held in West Palm Beach earlier this month. He said this award represents a good bit of work and Mr. Thiess can vouch for that. He is pleased to present it to the Board.

Mr. Drummond said it is always nice to get recognition for all of your hard work.

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

1. Approval and execution of Joint Maintenance Agreement among Treasure Coast Business Park Property Owners Association, Florida Municipal Power Agency and Fort Pierce Utilities Authority.
2. Approval of the Sunrise/Oleander Gravity Sewer Main Replacement Project, budget transfer of \$100,000, and authorize the use of the Unit Price Contractor to complete the construction at a cost of \$95,000.
3. Approval of budget transfer in the amount of \$34,514 for Water Resources Department FY10 O&M Budget Code 2164 (Professional Fees – Consulting/Engineering).

4. Approval of additional funds for use of temporary labor in the Department of Water Resources through December 17, 2010, in the amount not to exceed \$11,600 with Spherion Corporation, Port St. Lucie.

A motion was made by Mrs. Cully, seconded by Mr. Perri to approve the Minutes of the Regular Meeting of November 2, 2010, and those voting in approval were Mrs. Cully, Mr. Perri, Mr. Summerhays, and Mr. Drummond. Mayor Benton abstained since he did not attend the meeting. The motion was approved.

Mr. Thiess said the next item was pulled from the consent agenda last week.

Dewey Hudman, Administrative Coordinator for Water Distribution presented the item and said they talked to Mr. Russell of Reliable Tire and Auto Center and requested that he agree to the terms of the first year and he has done so. The Board has a copy of the letter that was signed by him and he is agreeable to continue this contract with the old rates.

A motion was made by Mr. Perri, seconded by Mr. Summerhays and unanimously carried to approve an increase for the first of one-year renewal options at last year's unit prices, for Bid No. 5941 with Reliable Tire & Auto Care Center, Fort Pierce for a total not to exceed \$50,000 annually. This will be for the term October 1, 2010 through September 30, 2011.

Mr. Thiess said the next item was also pulled from the agenda last week because all the paperwork was not complete.

Ed Cox, Human Resources Manager, presented the Physicians Immediate Care (PIC) Medical Services Agreement for Board approval. He said the agreement will give FPUA the opportunity to join with the St. Lucie County Fire District and Sheriff's Department in providing for our employees and their families a variety of health care services. There is a flat rate fee of \$160 per visit, which is a substantial savings from current costs and there will not be any co-pay or deductibles for our employees for using these services. Mr. Cox said a flat rate includes a 90-day prescription at no additional costs, the agreement conveys no exclusivity to Physicians Immediate Care, and it is subject to a 60-day cancellation clause. He said PIC already provides our workers compensation services, pre-employment physicals, and all of our drug testing. PIC has four locations in Ft. Pierce and Port St. Lucie operating every day of the year except for six named holidays. The medical services will include such items as regular primary care, urgent care, annual physicals and health assessments, testing and lab work. PIC emphasizes proactive preventive medicine rather than reactive treatment. Mr. Cox said he believes this agreement

with PIC will result in the same or better medical services for our employees and families at lower costs for both the company and the employee and requests approval of the agreement.

Mr. Drummond said it sounds like an opportunity for FPUA in the long term to save money. He asked if we would be able to track and see just how successful we are. He knows we are self-insured and this program is based on the number of employees who actually take advantage of it.

Mr. Cox said FPUA will administer their charges through Blue Cross, Blue Shield and use their tracking system for our treatments. He said we will receive monthly reports from PIC as to the number of visits and what kinds of services were rendered.

A motion was made by Mr. Perri, seconded by Mrs. Cully and unanimously carried to approve the Medical Services Agreement with Physicians Immediate Care to provide health care services to FPUA employees and families as described in attached Agreement and PIC presentation.

Nina Hurtubise, Finance Director, presented the status report on the Electric Power Cost Adjustment (PCA) for October. She said we continue to see good results from the Florida Municipal Power Agency's (FMPA) projections. The variances from the projections we have been tracking since December are shown on the table on the screen. Ms. Hurtubise said the red means they were under their projections and the black is they were over their projections. Basically, there is a lot of red, which is a good thing because it means FMPA has been projecting higher than what it actually turned out to be. The only thing that is of any concern is that in August and September, the projections for October actually turned out to be a little bit more than what they were projecting. If we look at the big picture, their projections have been at or below what they were projecting. The 50% confidence means we expect the rate to come out half the time as high or lower, but at 80% confidence it will be at or below what the projections are 80% of the time. Ms. Hurtubise said the projections we have been receiving do look to be pretty good. She said the cost of power for the month of October was billed to us at a rate of \$63.81 for 1,000 kWh and that is a decrease of \$9.72 as compared to what was billed in September. We are on a decline and actually it is the lowest we have seen in many months. At this time we are showing an over-recovery from the customer of about \$2.5 million and the chart on the screen projects not just where we have been, but also where the projections show we are going at the 70% confidence level. Mrs. Hurtubise said we do expect the over-recovery to continue to grow, but to begin declining if we put into place the \$2.00 reduction that is being proposed at this time. She said, a little bit of history, the PCA has been on the decrease for quite some time. Going back to 2008, our PCA has been as high as \$54 from July 2008 through January 2009, and then it popped back up there again for a few months in the middle of 2009, but has been steadily decreasing since. It has gone from the \$54 down to the \$40 where it presides currently for the months of October and November. Based on the projections, Ms. Hurtubise said that staff would like to propose a decrease in the PCA for the period from

December 1, 2010 through December 31, 2010 and until further notice, from \$40 to \$38 per 1,000 kWh.

Mr. Drummond said Ms. Hurtubise's chart shows the 50% confidence level going forward and it suggest that we anticipate in December the over-collection rising to \$4 million.

Ms. Hurtubise said that is correct. It goes up to \$4,331,770 in the month of December at the 50% confidence level. She said that is where it is expected to peak out and at any of the confidence levels that would be the same time frame.

Mr. Drummond said it is too late now and if we made the \$2 deduction it still would be in this collection cycle.

Ms. Hurtubise said that what is approved today would go into effect for December, but it still will continue to rise.

Mr. Drummond said the projections further down suggest a continued decrease of \$2 increments for each month with an ultimate goal of getting down to about \$30.

Ms. Hurtubise said that is correct. She said it shows the decrease in December of \$2 as we are proposing today. If the 50% confidence level projections turn out to be correct, it is possible that we may be able to reduce another \$2 each month between now and the month of April, which is five decreases. That assumes the 50% confidence level holds. This particular month it did not look very good, although in recent months, they have been doing pretty good.

Mr. Drummond said if he looks at the chart on the next page where the graph shows the costs per 1,000 kWh as compared to the PCA, we saw where we quickly adjusted the PCA as it rose to the actual costs, and now we see the sharp decline in October and we are showing a projection of a very slight reduction in the PCA to marry that. Mr. Drummond said from a personal standpoint, one of his concerns is that we are asking our customers when the PCA needs to go up because the costs goes up in the past; we have asked them to bear that pretty quickly. He said we are being very conservative when we are seeing it go in the other direction. He does not know if he will be able to find any support, but he would be a lot more comfortable if we kind of looked at a compromise somewhere at the \$35 range, which would be a \$5 reduction in the PCA and hold that allowing staff to continue monitoring to see whether or not these 50% projections continue to hold.

Mr. Summerhays said he has a big problem with that because if you look back in the chart where we dropped the PCA in January through June and then had to raise it back up right in the height of summer. We did that because we anticipated projections being correct and they were not. We ended up having to hit our customers in the very worst possible time. Mr. Summerhays said he would much rather see us do a \$2 step, look at it in a month, do another

\$2 step, look at it in a month and eventually get beyond the \$5 decrease anyway. He said if you look when we did this, we got down to \$4 million in the hole and we were down to less than two weeks cash at one point and do not want to see that happen again.

A motion was made by Mr. Summerhays, seconded by Mrs. Cully to approve the decrease of the Power Cost Adjustment (PCA), by \$2 per month and look at it again next month.

Mr. Drummond said he wanted to be sure that we are doing apples to apples. He said as Mr. Summerhays stated, at the period of time when the Board did make the decision to reduce the PCA and saw that the projections were off, he recalls that was during the time that FMPA had zero confidence level. It could have been 100% confidence level that they were giving us and we, from month to month, had no confidence in any of their projections.

Mr. Summerhays said he is not sure that he has ever regained all of the trust.

Mr. Drummond said he understands and we have been tracking it for the last year and they have been doing a fairly good job. He said he is of the mindset that as it stands now, we certainly are not dealing with the position that in one month or even a two-month period that our cash position is going to change drastically. We are pretty well flush on that side of the equation as a result of good management. Mr. Drummond said there are a tremendous amount of our customers who would benefit tremendously if we were a little bit less conservative. He said he does not believe it places FPUA in any great risk financially to make that move.

Mayor Benton said he likes the idea Mr. Drummond had about dropping it at least a few dollars more than the \$2 because we have always jumped when we had to go up. He said the opportunity is here and it is during the winter time and do not see the numbers coming up as quickly. People will not notice it as much on their bill as they would have in the summer time when things were high, but if it appears that we can certainly drop it \$5 and it will not hurt us financially, and things were not to materialize as shown on the 50%, then we could always hold back on the reduction even further. Mayor Benton said it is during the holidays and it would be an appropriate thing to do because we have enough sitting there in the bank to get us through this time of year for a couple of months.

Mrs. Cully said she would go along with Mr. Summerhays and understands what Mayor Benton is saying and it would be a nice Christmas present to drop it \$5, but they are not going to notice it as much because the weather is very cool right now and probably will not change for the next few months. She said what she is more concerned about and she does have more confidence than Mr. Summerhays in FMPA because she has been going to all the meetings and they have really worked hard in making an effort to look at this and try to make sure our confidence levels are up, but never the less, she does not want to take a chance on having to raise those rates up again early spring. It is a nice Christmas present, but come January or February, we will still

have lower rates than we had. In the spring it is going to change and she would prefer that we take it easy for the next couple of months and reduce it by \$2 each month and we will be there by March.

Mr. Perri said we are caught in the middle here and if we are thinking about dropping it another \$2 next month, he is willing to compromise and drop it \$4 and not \$5. He said at \$5, we would be setting a precedent that we have not done before that he is aware of. We have always dropped it \$2 and \$4 would be appropriate and is giving everybody what they want.

Mayor Benton said these projections have a lot to do with the cost of natural gas and from what he has been reading about and seeing in the market the cost of natural gas is coming down considerably. He said the experts are saying that is going to continue. Mayor Benton said he does not see anyone saying that the price of natural gas is going to go up drastically at any time unless there is a hurricane in the gulf in the middle of next summer. He said that is why he is leaning to more of a reduction than \$2 and if \$4 would be a compromise he would support that. We have always passed it on to our customers one way or the other.

Mr. Perri said doing it for \$4, next month we could stand pat if things did not look good. It would give us a little edge and he does not want to set a precedent of \$5 at a time.

Mr. Thiess said he would like to point out that even though it looks like the gas prices are stable, all the projections look pretty stable going forward with some slight increases down the road, nobody predicted the spring 2008 increase to \$14. None of the experts predicted that at all. We could probably be okay with \$4 and it is a little bit of a risk and we would run more of a risk of having to raise it if all of a sudden we swung back to the 70% confidence level. If you look at the next to the last table in the agenda item, the projection there is if we go to the \$38, we need to stay at \$38 all the way through September just to break even. If the 70% rates come in, we will be looking at an increase in the PCA some time probably in the spring or early summer. Mr. Thiess said he would be willing to bet that the 50% rates are going to be more accurate and he does want our customers to know that all this money eventually goes back to them. It is a matter of whether we get more aggressive now in the winter time when the bills are lower, but we run the risk in the summer time going into June of having to put the PCA back up again. It is a judgment call and what we have been trying to do at the staff level is flat line the PCA looking as far ahead as we can. Next month we will have another 12 months of projections tacked on the back. We will have a 24-month forward look that will get us past September 2011 so we can see the trends on the other side of the fiscal year as well. If you are a gambling person, the \$4 reduction will probably fly, but if the rates go in at the 70% confidence level, we will end up with raising the PCA back up in the spring or summer when the consumption is high and our customers have the highest bills.

Mr. Drummond said he would suggest we are looking at these projections as just that they are projections. Even at the 80% or 90% confidence levels, it is a projection which has a certain

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amount of risk involved in it. He does not propose to “gamble” with the funds of this agency, but would suggest the impact that our customers have felt as a result of us having to respond to the poor management at the FMPA level, he would love to, when we can, to be able to direct that back as quickly as possible to our customers. Mr. Drummond called for the vote.

Those voting in favor of the motion were Mrs. Cully and Mr. Summerhays and those opposed were Mr. Perri, Mayor Benton, and Mr. Drummond. The motion was not approved.

A motion was made by Mr. Perri, seconded by Mayor Benton to approve a decrease of \$4 of the Power Cost Adjustment (PCA), for the period from December 1, 2010 through December 31, 2010 and until further notice, from \$40.00 to \$36.00 per 1,000 kWh.

Mayor Benton asked if when Nick of FMPA comes to the City Commission meeting on December 13th maybe he could bring the projections on what next year will look like.

Ms. Hurtubise said if he has the numbers by then.

Mayor Benton asked that the request be put in now because that meeting will be getting a lot of attention and if the numbers are coming out next month we would like to see them.

Mr. Drummond called for the vote.

Those voting in favor of the motion were Mr. Perri, Mayor Benton, and Mr. Drummond and those opposed were Mrs. Cully and Mr. Summerhays. The motion was approved.

Mr. Summerhays said he hopes we do not regret it.

Mr. Thiess said there will be a joint workshop with the Fort Pierce City Commission and the FPUA Board on December 13th in these chambers at 6:30 p.m. till 10:00 p.m. He said the topic of discussion is wholesale power and people from FMPA will be here to explain how the agency originated, what it is all about, and what they are doing now to get more competitive. Questions are being solicited from the customers and the public and can be submitted on the City's and FPUA's website. The questions have to be submitted by December 3rd.

FPUA offices will be closed next week, Thursday and Friday, November 25th and November 26th for the Thanksgiving holiday. Wednesday there will be early closing, but the drive-through lanes and the phones will be open until 5:00 p.m.

Mr. Thiess said FPUA rebates are back on and are using the funds from FMPA for solar water heaters, Energy Star clothes washers, Energy Star room air conditioner units, Energy Star refrigerators, high efficiency air conditioners, and new or added installation. These are

substantial rebates and they go up to \$2,100 for energy efficient air conditioners. Mr. Thiess said the funds are limited and when the funds run out the rebate program will be put on hold until we can obtain more funding.

Mayor Benton said he would like to thank Fort Pierce Utilities and their employees for all their help next week with Mustard Seed where they will be feeding upwards of 10,000 people. FPUA has been committed and has donated on the site over there. He said he also wanted to clear up something he misspoke about last night at the City Commission meeting when he said the Building Department had donated \$400. It was Code Enforcement that had donated from candy and sodas they sold all year towards the Mustard Seed. Mayor Benton said it will be next Thursday if anybody does not have the ability to provide Thanksgiving dinner or would like to join them it will be on 10th Street and Orange Avenue.

Mr. Perri said he was reading a trade magazine and sees where at least one city has mandated energy audits for home sales before they list the homes for sale. He said the homeowner has to provide an energy audit for the prospective customers. Going a step further, Mr. Perri was wondering if we could find some funds to do some energy audits for all the rental properties we have here in the community that would afford prospective renters to evaluate how energy efficient the abode might be. He said it might place a strain on the landlords short term, but in the long term, everybody would be better off with some kind of program like that. Perhaps we could find some kind of federal assistance to do these audits or some kind of systematic basis that would complete them in three to five years. Down the road, that might help the community at large. A lot of the people are struggling with their power bills and in rental properties that are older homes they need some kind of rehabilitation to conserve energy.

Mr. Thiess said there have been a lot of grant cycles around lately on energy efficiency and conservation and the last several that FPUA has looked at, the Utility was not eligible for the grant; it had to be the City or the County. He said FPUA has looked at some things with the City and the County and so far we have not turned up anything that really looked productive for the utility customers. The last few cycles of grants have not been available to the Utility; it had to come through the City or the County.

Mr. Perri said that perhaps Mr. Recor can look into something like that.

Mayor Benton said last year, through the Conference of Mayors, the City received an Energy Block Grant of about \$175,000. This year the City has applied also, but the surprising thing is some of the big utilities can give these breaks and you would think that Washington would look at public utilities. Maybe APPA is not doing a good enough job with their lobbyists. Mayor Benton said for us to compete with the FPL's of the world, we are a public utility, why are we

being left out in the cold. He said maybe a letter through FMPA to APPA asking what can be done better at lobbying when we go to Washington next year.

Mr. Drummond said he would be curious to see the article about the community that is mandating the energy audits for the homes for sale as to whether or not there is a trigger as a result of that audit.

Mr. Perri said they rate them on a number of 1 to 5, with 5 being the best efficiency. He said they did it by a mandate and a City Resolution and he believes it was the City of Austin.

Mr. Drummond asked if they trigger requirements on the part of the seller.

Mr. Perri said it is how the home is listed. When a home is listed with a realtor, the homeowner is required to spend the \$200 to \$300 for the audit, which is ultimately going to be passed on to the buyer anyway. If he has a high efficiency audit that will help him sell the home. It gives the buyer an assurance that the home is energy efficient and they can make up their own mind. If it is not, the price would be lower than normal and they can use that balance to get it energy efficient.

Mrs. Cully said as a fellow realtor, she believes it would be really difficult for us to do something like that here in Fort Pierce. She said she was curious if the City used their own funds to do the auditing.

Mr. Perri said the owner has to pay for the audit, but it is ultimately passed on to the buyer. Depending on where the audit falls, it is going to have an impact on the price the owner is going to get.

Mrs. Cully said with the economy at the moment and how the sales are at this time, it would be hard to implement.

Mr. Perri said he is not suggesting that part of it. He is suggesting rental housing that we have about 70% in the northwest section.

Mayor Benton said that over 40% of rentals are in the city limits, from what he was last told.

Mr. Perri said this was for prospective renters of a house or an apartment to be able to grade their energy bill, so to speak. One might have more amenities than another, but if you have an apartment with one rating, which is the lowest with a lot of extras and an apartment with a 5 rating without the extras, a person might elect to get in the apartment with the highest rating, given the rental price is the same.

Mrs. Cully said it seems the landlord would probably charge more for the higher rating.

Mr. Perri said ultimately they will charge more to recoup the energy audit and anything they might do. In the long haul in looking at things, it would be better for the community overall and better for the landlords eventually.

Mayor Benton said he believes it would be a good idea, but the way to approach it is to speak to the Landlord's Association to see if there would be a buy-in because he would hate to put the effort out there to say these are the improvements that would have to be made. It could be very costly.

Mr. Perri said they do not have to make any improvements. If they like their rating as 1, they do not have to make any improvements, but it would be harder to rent the place.

Mayor Benton said we have some good landlords, but a lot of them are delinquent landlords and it is very difficult to get them to bring their rentals up to standards.

Mr. Perri said he believes there would be a lot of opposition with the Landlord's Association and that is one of the reasons he is not asking for the landlords to pay for it. He is looking for a grant. If it is something we could do with grant money.

Mayor Benton said with the Energy Block Grant it was determined that government should spend that and lead by example. He said they did that because of the high costs of power in this building, the Sunrise Theatre, and some of the City's buildings to show that it works because theirs are extremes too. It is just unfortunate that we will not see as much grant money coming down the pike in the future.

Mr. Drummond said his observation is the market influences are somewhat working as it relates to the rentals in his neighborhoods. The less efficient older units are going vacant and staying that way. With the amount of housing stock that is out there and is available and better, the public is taking advantage of that.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN