

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, MARCH 1, 2011, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman, Darrell Drummond; Vice Chairman, Pamela K. Cully; and Deputy Secretary, Robert W. Summerhays, Jr.

Absent: David Recor, Ex-Officio Member/City Manager; Mayor Robert J. Benton III (excused) and Secretary Mike Perri (excused).

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; and Levette Dixon, Communications Manager.

The meeting was called to order by Chairman Drummond.

Invocation by Don Landin, FPUAet Communications Manager.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

A motion was made by Mr. Summerhays to approve the consent agenda with the addition of excusing Mayor Robert J. Benton III, seconded by Mrs. Cully, and unanimously approved.

1. Approval of the Minutes of the Regular Meeting of February 15, 2011.
2. Excuse Michael Perri from this meeting because he is attending the FMPA Legislative Rally in Washington.
3. Approval of a blanket purchase order payable to the City of Fort Pierce in the annual amount of \$86,991.24, for FY 2011 purchasing services, payable in monthly installments of \$7,249.27.
4. Approval to purchase regulator control panels from Beckwith Electric Co., Inc., Largo, FL in the amount of \$67,387.10.
5. Approval of an additional \$23,500 for Dedicated Internet Access bursting fees under FPUA's existing contract with Level 3 Communications, LLC., Denver, Co.
6. Excuse Mayor Robert J. Benton III from this meeting because he is attending the City of Fort Pierce Strategic Planning Workshop.

March 1, 2011

Page 2

A note was received from The Mustard Seed thanking FPUA-Electric T&D for the amount of \$50.00 they received from them through Project Care.

A letter was received from Sue Dannahower thanking Josh Calandro of Customer Service for his compassion, help with payment arrangements of her electric bill, and suggestions on how she could lower her bill.

A letter was received from Helen Burney thanking Bill Abramowicz of Customer Service for the efficiency of his department and his offer to help her with money saving tips on her electric bill.

Nina Hurtubise, Finance Director presented the Status Report on Electric Power Cost Adjustment (PCA) for January 2011. She said the colors have been changed on the graph displayed and it is January's comparison of residential electric rates compiled by the Florida Municipal Electric Association. This shows the municipal electric bills in the State of Florida for usage of 1,000 kWh. FPUA's relative position compared to the other municipal electric utilities is now 7th from the right on this comparison, which is the same as it was last month. Ms. Hurtubise said that since December, four utilities have increased their bills and sixteen utilities including three of the investor-owned utilities decreased their bills. She said Havana reflects an increase of \$22.67, Starke reflects a decrease of \$17.87, Newberry reflects a decrease of \$11.90, Quincy reflects a decrease of \$10.60, and Lake Worth reflects a decrease of \$10.00. On the comparison for 2,500 kWh for January, FPUA is the 6th from the right and that is one position higher than last month. On January's comparison of residential electric, water and wastewater rates that are compiled by staff it displays the comparison for Fort Pierce, Port St. Lucie, SLC Utilities, and Vero Beach. The only change from December is the \$4 reduction in Vero Beach's power cost adjustment (PCA), which reduces their PCA to \$60 per kWh. This is an information only item and no action is required by the Board.

Mrs. Cully said she likes the new colors and finds it easier to read.

Mr. Thiess said with the proposed \$4 coming off the base rate, FPUA would move from 7th position to 14th, which will make a big difference. He said whatever comes off the base rate is a permanent adjustment as far as how we fit in with this group because it will not fluctuate with the cost of power. Generally speaking, we will be \$4 better in relationship to this group than we have been all along. We will be very close to the middle with the base rate decrease.

Mr. Thiess said he, Tom Richards, and Mike Perri attended the FMPA All Requirements Project (ARP) Executive Committee meeting last week. He said the one thing that occupied the biggest discussion during the day was a new method of calculating the demand charges on the ARP bill. There are two things that drive the wild fluctuation FPUA has in their wholesale rates throughout the year from FMPA. One of them is the 60 days cash because that either shrinks

or swells depending on whether we are going into the summer or the cooler months. The other is the demand charge because the demand portion of the rate is based on each utility's demand at the coincident peak of the ARP. That puts a lot of fluctuation into the rate throughout the year. Mr. Thiess said what they have been working on for months and months now, seven meetings involved, is looking at another way not to fix that demand amount on each utility on a monthly basis, but do a one, two, or three year look-back. He said what the staff recommended is a 3-year look-back and what that does is you would start looking at average coincident peak demand for three years back, fix the demand for the year going forward based on that average peak demand, then adjust it every year. The 3-year look back was going to go to a 2-year, then a 1-year, and eventually use the 1-year look back the rest of the way out. We would have fixed demand costs throughout the year and then it is adjusted the next year doing another 1-year look back. Mr. Thiess said the motion actually passed on the first vote, but a super majority request was called for and it failed on super majority. He said that is the way the governance works up there for the time being. Other than the staff having to do a lot of work and there was a lot of good discussion about it, everyone got to hear everybody else's views, but a lot of work was done and nothing changed. It does not affect FPUA that much. If we were back in the under-collection position, it would really affect us. What it means is now we have the same need we have always had, which is to have an over collection rate stabilization fund. We thought the variability in the demand rate was going to go away and now it looks like it is here to stay. We need to think about that when we think about the over collection and under collection; we are still going to have those big swings in the rate. We are still going to look 12 to 24 months out ahead and take the best shot we can at the PCA, but we did not succeed in getting rid of that part of the variability in the rate.

Mr. Thiess said we brought before this Board a while back, the St. Lucie Village Water/Wastewater MSBU and the Board approved over a half million dollars towards that MSBU, which equated to about four years of revenue. He said they worked through the cost estimates and when the MSBU was originally started, they thought the water main was going to run up US 1 and possibly serve Harbor Branch and loop it back to the County system. It has not gone in that direction yet and the water main is not on US 1. The cost came in a good deal higher than what was anticipated. The estimated cost for the water connection was \$12,500 per lot because the Village is a little different than the typical grid type neighborhood. There are a lot of dead end streets and long lots and it does not lay out well for utilities. Also, there are five railroad crossings, which are extremely expensive to cross. Mr. Thiess said what they are going to do is pull it back and they think something may be happening in the not too distant future where a water main might get up U.S.1. They are going to wait until that water main gets in place and bring the MSBU back again. If it is a great length of time past the approval of the approximately \$500,000, we would bring it back to this Board for a confirmation. It will come back as the same project, hopefully with lower costs and more likely to succeed. With the \$12,500 for water, the wastewater was less than that, but it came to about \$20,000 per lot. The chance of that getting a 50% plus one vote is near zero.

Mr. Thiess said we are getting close to having the RFP ready to go out for selecting another consultant to look at the CROD. We are putting the procedures together to evaluate the proposals, the scoring system, and we would like to have a Board Member on that group if this Board chooses to put one on there. Mr. Thiess said we do not need a decision today, but will have to decide by the next meeting.

Mr. Koblegard said that the Board has received a copy of a letter and a resolution that was passed by the City and he proposes if the Board approves to adopt a motion authorizing Mr. Thiess to sign and send the letter back to the City acknowledging the receipt of the resolution and that we are happy to participate in the process and start trying to resolve these issues. Mr. Koblegard said he went back and checked the Statute to tell the Board about where this can go. He said by the City Commission adopting the Resolution, the City had five days to get it to FPUA by certified mail, which we received it last Friday. FPUA then must respond within ten days so this is timely. We do not have to pass a resolution unless there are other issues we wanted to raise as part of it. Mr. Koblegard said he does not believe we have any pressing issues with the City that we want to adopt a resolution to add to this. Even though we do not, it does not mean we cannot discuss and settle other issues in the process if we want to. We are not precluded from doing that. He said what happens first is we would have a meeting at staff level, Mr. Thiess, himself, Mr. Recor whomever else from the City or FPUA staff deems would be appropriate in this meeting to see if we can resolve it. That has to be done in thirty days and it has to be a publicly advertised meeting. We have to give a 10-day public notice so the public would be allowed to attend if they chose. If it is not resolved, then the City Commission and Fort Pierce Utilities Authority have to convene and meet within 50 days to discuss the four issues and try to resolve that. We can have a facilitator or a mediator present at that meeting if we want, but it is not required. If that does not resolve it, unless both sides say we are not going to go any further, then we are required to go to mediation. Mr. Koblegard said we have to agree on a mediator, go through that process and even then, it is not mandatory that we resolve it. Nothing in Chapter 164 makes you come to a decision; it is an effort to try and resolve that short of going to court. Mr. Thiess and Mr. Koblegard met with Mr. Schwerer and Mr. Recor in anticipation of this to discuss the issues and see if they could come up with anything to propose to our respective Boards. Mr. Koblegard said they came up with some general possible resolutions and Mr. Schwerer is in charge of drafting an initial document to circulate to see if we can resolve all four issues. He said we are waiting now to receive that from him and we can go from there. If the Board thinks it looks appropriate, we can end it right there and may not have to go any further. To meet the time frame of the Statute, we do have to meet within 30 days with the City at the staff level. Mr. Koblegard said he believes they just need further discussion in the direction they are currently moving. He asked for the Board to consider it in the form of a motion to authorize Mr. Thiess to send this letter in response to the City's resolution.

March 1, 2011

Page 5

Mr. Drummond said he thinks the letter captures very well what he believes is the mood of this Board that we are happy to participate in this process.

Mrs. Cully made a motion, seconded by Mr. Summerhays, and unanimously approved to authorize Mr. Thiess to sign the letter and forward it to the City of Fort Pierce.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN