

MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, JULY 5, 2011, 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; Rupert N. Koblegard, III, FPUA Attorney; Nina Hurtubise, Director of Finance; Timothy E. Perkins, Director Water/Wastewater Systems; Thomas W. Richards, Director of Electric and Gas Systems; Eve Walker, Director of Shared Services; and Arne Taranger, Acting Risk Manager.

The meeting was called to order by Chairman Drummond.

Invocation by Dr. Ken Brown of Hope for Families.

The *Pledge of Allegiance* was recited.

The roll was called and a quorum declared.

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Ms. Bonnie Howard of 8007 Eden Road, Fort Pierce thanked the Board for being able to share in the meeting. She read "The No Nuke Letter" (copy attached). We get 0.0% energy from clean sources. For 35 years St. Lucie Nuclear Plant has contaminated our environment and endangered health with daily radioactive release. Releases are reported to the nrc.gov "2010 St. Lucie Units 1 and 2 Annual Radioactive Effluent Release Report". Radiation is confirmed in air, water, shoreline, crustaceans, fish, vegetation and groundwater at nrc.gov "2010 St. Lucie Units 1 and 2 Annual Radiological Environmental Operating Report". Strontium-90 is a fission waste-product of uranium and plutonium from nuclear reactors. Exposure to Strontium-90 is linked to cancers and leukemia." Ms. Howard said this is from the EPA. Cancer is higher in St. Lucie County as reported in "Environmental Radiation from Nuclear Reactors and Childhood Cancer in SE Florida". She said she has the three links to this information. Federal regulating agencies stopped testing for carcinogenic Strontium-90 in 1990. Highly radioactive spent fuel rods continue accumulating, over-capacity, on site. No one wants this million year Rad-Waste. Now, this aged plant that can kill us, has renewed its licenses until 2036 and 2043. Ms. Howard said there is no safe dose of radiation. Releases of radiation and spent nuclear fuel are not clean. Endless safety, security and forever storage, are not "cost saving". We blindly pay rate and taxpayer subsidies, insurance and storage for this grossly inefficient and short-sighted industry. As FPL and NextEra defend this safe, clean and cost saving nightmare, the public has become pawns for profit. She said we live in fear of nuclear accidents; this industry can never ensure public safety. They told us nuclear was safe as Japan's ignored catastrophe continues. Our nuclear plant has become a radioactive waste dump. Nuclear and black energies don't serve me, they threaten me. Halliburton pulverizes rock with huge diesel compressors and incredible amounts of precious fresh water worth more than the black unnatural gas obtained. Ms. Howard said if the public truly comes first, let's pool our talents and harness obviously safe

and low-cost sources. The sun beats intensely, the winds are bountiful, and the ocean is opportunity.

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Mr. Drummond asked if the Staff or Board Members have any item they would like to remove from the Consent Agenda. *(No items were removed.)*

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

1. Approval of the Minutes of the Regular Meeting of June 7, 2011.
2. Approval of \$27,681 for the purchase of one 750 KVA 480/277 SS Padmount Transformer to be purchased from CG Power Systems through Florida Municipal Power Agency (FMPA) bidding process.
3. Bid No. 6051 – Deep Injection Well Pump Electric Motor – Approval to accept the lowest and best responsive responsible bid from Rowe Drilling Company, Inc., Lakeland, Florida in the amount of \$28,900.
4. Gas Rate Stabilization Fund Update-June 2011 – For Information Only.
5. Approval of budget transfer to increase the budget by \$124,000 for the Sunrise/Oleander sewer project between Virginia Avenue and Ohio Avenue.
6. Approval of the Amendment to BCBSFL Administrative Services Agreement.
7. Bid No. 5902-Directional Bores - Approval of an additional \$10,000 for Directional Bores under existing contract with M & T Agricultural Services, Inc.
8. Bid No. 6016-Computer Equipment Miscellaneous - Approval to piggyback State of Florida Contract #250-000-03-1, for the procurement of a network core switch, Juniper EX8208, from Sanforce, Miami, FL, in the amount of \$69,560. This purchase includes a one year of maintenance with annual renewal options on terms and conditions mutually acceptable to both parties.

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An email and picture was received from MKCM Timothy A. Maleport who is with the US Coast Guard in Bahrain thanking FPUA employees for the care package.

A thank you card was received from AIC Shannon Moore who is stationed in Iraq with the Air Force thanking FPUA employees for the care package and for the letters from the children.

A note was received from The Mustard Seed thanking FPUA customers for the amount of \$293.13 contributed through Project Care and \$50.00 from Electric T&D employees.

A letter was received from Frank M. Thomas, III, City Manager of the City of Moore Haven thanking Craig Brewer, FPUA Electric T&D Superintendent, and FMPA for their valuable service, expertise and professionalism provided by the Peer Review process and report.

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A card was received from Maryellen Pizzi thanking Lori Bianco and Nicki Lewis of Customer Service for their courteous, friendly, and professional service in taking care of her dilemma.

A thank you letter was received from SFC Jose Muniz who is currently serving in the Army in Iraq. He and his soldiers thanked FPUA employees for the care package they received.

A card was received from John Breitbach thanking Sonya Gomez of Customer Service and Patrick Gillespie of Electric T&D regarding the favorable service they provided in assisting with his dilemma.

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Bill Baldwin, Supervising Engineer of Electric and Gas Systems, said the request before them is for pole mounted transformers as needed for a year's supply of inventory. He said this is a standard purchase through the Florida Municipal Power Agency joint purchasing project. FPUA staff participated in writing these specifications and reviewing the bid submittals. Through the process, this bid was awarded to Gresco, Inc. in Wildwood. Mr. Baldwin said, as with many inventory items, we are trying to get the annual orders before this Board in advance and today are requesting approval of pole mounted transformers in the amount of \$348,000 to Gresco. He said he would be happy to answer any questions.

A motion was made by Mrs. Cully, seconded by Mr. Summerhays, and unanimously carried to approve \$348,000 for the purchase of pole mount transformers from Gresco, Inc. through the Florida Municipal Power Agency (FMPA) bidding process, as needed for inventory for one year beginning July 1, 2011 through July 01, 2012.

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Nina Hurtubise, Director of Finance presented the Financial Operating Results for April 2011. She said the most significant thing that occurred in April was the City Distribution was paid out in the amount of \$4.9 million. Our year-to-date increase in net assets back in March that was \$4.4 million is now is \$490,000, but we will recover by the end of the year. It is a shock to our bottom line every April. Ms. Hurtubise said comparing the year-to-date increase in net assets is up \$1.7 million higher than last year. We do have a 57% increase in capital contributions and we continue to have a very good cash position. When we pull out the April power cost adjustment (PCA), which is still a fairly large number, we have about 83 days of operating cash. This is still very high and we have begun to give that back to our customers in March as we reduced the PCA as well the rate decreases we implemented in May. The units sold are still pretty steady. In electric our units sold are down about 4.5%, but are flat from 2009. It is less than last year, but the same as the year before. In water we have had a steady increase over the last three years. It is up 2.8% from 2010 and up 6.1% from 2009. On the wastewater side, it is doing the exact opposite. Wastewater is down 2.5% and down 3.9% from 2009. Natural gas is down just a little bit from last year; about 0.5% and up 3% from 2009. From Mr. Summerhays' suggestion at the last meeting, the operating revenues show the net of the PCA and PGA because those numbers really throw off the revenue numbers. If we try to tie out to

operating revenues, it will not work. Electric operating revenues are down 4%, water is up 2%, wastewater is up 2%, and natural gas is down 1%. Overall that means operating revenue is down about 9% company-wide because electric is such a large portion of the operating revenues. Ms. Hurtubise said when looking at operating income, which is operating revenues minus the operating expenses and take a look at our debt service coverage, the rolling twelve months of operating income and the debt service, as compared to March is down about \$87,000. It did decrease the debt service coverage ratio from 2.71 to 2.70. It is well above the 1.25 required by our bond covenants. The changes this year versus last year, our year-to-date income is up about \$1 million because the depreciation is down \$742,000. In the event our budget is approved later this afternoon that will begin to shrink and we begin to increase the depreciation, making adjustments relative to the useful lives of our assets. We are continuing to write down those assets to their real value. Salaries and wages are down \$216,000. The gross receipts tax, the income we receive from electric and gas, is down \$161,000 as compared to last year. We are able to benefit from our own decrease in PCA; our utilities are down \$146,000. Ms. Hurtubise said the employee insurance is up over \$500,000 this year. We are starting to see the bottom of the wonderful ride we have had with good claims history. We will be having a quarterly meeting in the next month and will keep the Board updated as to what the second quarter brought for us. We have not been able to continue to see the good claims history we have seen in the last couple of years. The interest on our bonds is up \$250,000 as a result of the refinancing to fixed rate. The FMPA pooled loans could not sustain the little interest rate we were paying. Overall we are doing better than the prior year. This is an information only item.

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Ms. Hurtubise presented the status report on Electric Power Cost Adjustment for May 2011. She said we are not making recommendations for change at this time and the projections for 2012 turned out almost exactly the same, which is very unusual. The cost of power purchased from FMPA for the month of May was billed to FPUA at the rate of \$87 for 1,000 kWh and that was a decrease of \$1.52 as compared to April. We did under recover for the month of May as we anticipated we would in the amount of \$621,839. The over recovery has dropped down to \$2,445,029 as of the end of May. Ms. Hurtubise said the chart displayed represents the past history and the projections of the over or under collection of the PCA. The blue line passing through it represents the PCA rate as indicated on the right. Right now we are at \$34 and assuming we continue along the lines of leaving the PCA at \$34, if we were to increase it for power purchases sold in October, we would need to raise the PCA to \$42.75. That is exactly the same as reported last month. The graph shows the resulting over recovery, but with the under recovery that would occur next summer, we would not make it all back at that point. Another option to consider, if we did not want to increase the PCA October 1<sup>st</sup> all the way to the \$42.75 we could chose to do it gradually. If we were to increase the rate to \$38, \$40 and \$44, that is what the increments are shown, it would bring it up to a \$44 rate instead of \$42.75. It would be a gradual increase instead. Ms. Hurtubise said staff is not recommending any changes and this is an information only item.

Mr. Perri asked if there was a scheduled decrease in the base rate.

Mr. Thiess said staff is looking at that and will probably target April 2012 for the base rate decrease. He said, based on the last projections with the prior rate work that would be about \$1.50 decrease off the base rate. The good thing about the base rate decrease is they do not fluctuate with the PCA, once they are off they are off until we have to adjust the base rate again. Staff will do the rate sufficiency work again to make sure that is the number.

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Ms. Hurtubise presented the FY 2012 Capital Budget. She said some of the slides the Board has seen before since January when we started talking about the budget. The first slide reflects our Capital Budget history in the last few years and as we are very familiar with, it has dropped. We started back in the original budget in FY 2008 at \$48 million Capital Budget of which \$31 million was spent. In 2010 we spent \$7 million on the Capital Budget. That is not a level that we expect to be able to sustain. What is being presented today is the FY 2012 budget of \$15,246,307. That \$15 million does include \$3.5 million of contingencies, which is a change that was recommended by our Citizen's Budget Advisory Committee. Rather than budgeting within our Capital Budget for "just in case" or "what if the City or County goes through with the road project" or "what if something breaks down", we have pulled out an amount of contingency in the Capital Budget, which is intended to cover all those "just in case" and "what ifs". Ms. Hurtubise said staff is not expected to use those funds, but are requesting approval for it at this Board's level and the City Commission level, in the event there is a hurricane or there are so many "what ifs" in the utility business. What is seen in 2012 is the pink section, which is Administration and includes part of the contingency of \$2,762,000. That is not a rate funded contingency, it is a customer funded contingency. It is a very large project staff has been working on with a customer, but we are not certain as to whether the customer is interested in our services. If the customer is interested in our services, we want to be able to provide them. Ms. Hurtubise said if we were to use the contingency for anything, it would be brought back to the Board as a separate item and it would be clearly identified as such. She said the contingencies by system are on the very last page of the budget book on page 178. Some of the information is project by project. In the chart shown on the screen, FY 2015 shows water larger than any of the other years and that represents a second deep injection well at our water treatment plant that we are expecting to need at that point. We know that it is coming and in order to expand, the amount needed for that project is \$4,750,000. The details of the project are on page 123 of the budget. In 2016, \$1.6 million is set for a Floridian Aquifer well construction. We have to have the deep injection well to dispose of the byproducts of our RO process and the Floridian Aquifer well construction would follow right behind it, assuming we need it. Staff is only asking for approval of the 2012 budget. The 2013 through 2016 budgets are there for the Board's information and our planning purposes. Capital Budget by funding source, the big red bar represents the Capital Budget amounts that are funded by rates. The contribution in aid is any kind of contribution by a developer, a customer, or anyone that wants our services. The blue bar represents the very same thing as the other blue bar because we had intended to finance the second deep injection well with capital improvement charges. It will

expand the amount of water we are able to produce and serve more customers, the same with the Floridian well. As seen, the intent is to keep the funding consistent, but tight. The 2012 major capital projects are indicative of trying to hold the line on the Capital Budget in that almost all of the funding of the capital projects relates to renewal and replacements (R&R). The largest number in the Capital Budget is government and other required work. It is relocating lines and possibly not even anything that will get us new customers, but because of stimulus money and road work, we do have to accommodate the other construction work in the area. The lime softening No. 1 rehab is urgent, is a big project, and is R&R. It is a component of our water treatment plant that is in serious need of some rehabilitation. South A1A is not R&R, but it is government required. We have to get our lines out of the way and accommodate the road construction. On the water and wastewater side it will continue into 2012 and a good chunk of the 2012 budget is R&R. Ms. Hurtubise said she is requesting the Board's approval of the 2012 Capital Budget, which totals \$15,246,307.

A motion was made by Mr. Summerhays, seconded by Mr. Perri, and unanimously carried to approve the FY 2012 Capital Budget totaling \$15,246,307.

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Ms. Hurtubise presented the Operations and Maintenance (O&M) Budget amending the FY 2011 and the original O&M budget for FY 2012. She said the amendment of the FY 2011 O&M budget is comprised of revenues of \$104,698,258 and O&M expenses of \$104,457,627. Contained in those expenses is a full time head count of 275 employees and 4 part time employees. For 2012, staff is requesting approval of \$112,339,675 in revenues and \$110,933,495 in O&M expenses. Ms. Hurtubise said the original 2012 budget is approximately \$10 million less than the original 2011 budget. She said the revenues are pretty consistent and a little bit higher in 2012 primarily because of the power cost adjustment (PCA) and the revenues associated with the PCA. The revenues are higher and so are the expenses. On the expense side, the O&M expenses are pretty flat. The purchases for resale in 2012 are going to be a little bit higher and we did budget a little bit extra of depreciation over and above what was budgeted originally in the \$13 million vicinity. We requested \$15 million for depreciation to bring the useful lives of assets more in line with how long they last in the Florida sun. In personnel services there has been a \$377,000 decrease, 3% decrease in salary, wages, and overtime over the original 2011 budget. That is what is being projected in 2012. We have held 15 positions vacant from FY 2009 and FY 2010. We have held another 9 positions on top of that with a total of 24 positions held vacant since 2009 and we are seeing it show up in our budget. Ms. Hurtubise said there can be some misinformation floating around that the Drop Program costs us money, but there is actually a savings of \$135,000 in 2011 and \$144,000 in 2012. Those are contributions that FPUA does not have to make to the retirement system because those folks have retired, but are continuing to work for us while their replacements are being trained. The full time position count is located on page 17 and has dropped from 292 at the end of 2009 to the proposed for 2012 of 277. The City Distribution is approximately \$4.8 million in both 2012 and 2013 based on current estimates. Staff is requesting approval of the O&M Budget which amends FY 2011 and adopts FY 2012.

Mr. Drummond said he would suggest for the viewing public that this is a culmination of a long series of workshops and work on the part of staff. It also goes a long way toward helping us over the next five years to reduce our capital position and ultimately this will give dollars back which is what we saw in terms of the request and approval at the Commission level of a reduction of our base rate. He said he does not want it to appear that we are quickly running through this.

Ms. Hurtubise said the Board will see it again in a month at the first meeting in August when the Annual Budget book is presented that will have both the O&M and Capital combined. We look for this preliminary approval so we can carry on and prepare the Annual Budget.

A motion was made by Mrs. Cully, seconded by Mr. Summerhays, and unanimously carried to approve the Operations and Maintenance Budget as presented by staff amending the FY 2011 Operations and Maintenance Budget and adopting the original FY 2012 Operations and Maintenance Budget.

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Ms. Hurtubise presented the Rate Comparison for the month of May 2011. She said she is thrilled to present this comparison showing 1,000 kWh, FPUA is number 16 and pretty much in the middle of the pack from the \$4 decrease in our power cost adjustment (PCA) and the \$4 base rate reduction. We are finally seeing the results of all the work we have been putting toward reducing those rates. FPUA is now below the ARP average at \$125.84 and the average is \$126.38. Since April, eight utilities have increased their bills and six have decreased their bills. Havana reflects an increase of \$17.43 and Wauchula reflects an increase of \$10.13 after they increased it \$15.42 in April. The 2,500 kWh comparison also looks substantially better than ever seen with FPUA 17<sup>th</sup> from the right, nine positions better than last month. Our customers who are consuming more are as happy as the folks that are consuming less. Ms. Hurtubise said she made a mistake on the Utility Bill Comparison and the Board received a copy of the corrected comparison. She said she failed to include the increases in the water and wastewater systems and the revised one will be posted on the FPUA website. FPUA is 1% higher than St. Lucie County Utilities, 7% higher than Port St. Lucie, and 16% higher than Vero and this is for all three services. It has hit the news that Vero Beach is expecting an electric increase of some sort. It has to be inevitable that Vero Beach will have to raise their water and wastewater rates. They are extremely low, relatively speaking and Ms. Hurtubise said she does not see how they can continue to do that. The changes from last month are the \$4 reduction in our base rate, but there was a \$4 reduction in Vero Beach's PCA for the month of May. This is an information only item.

Mr. Drummond said the Board has waited a long time to see this decrease and it is very good indeed to see.

Mr. Perri said he hopes we can keep it there.

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Mr. Thiess said the Contract Rate of Delivery (CROD) workshop is scheduled a week from this Thursday, July 14<sup>th</sup> at 8:30 a.m. at the Energy Services Center on 37<sup>th</sup> Street in the War Room. A lot of information has been sent out on that and more information is still coming, like comparison tables and a pretty good summary of all the information collected to date that will affect the CROD decision. A lot of the information like the CROD reports is out on FPUA.com. Some of the other things that will be presented at the workshop will be put on FPUA.com once they are finalized.

Mr. Thiess said the July 19<sup>th</sup> FPUA Board meeting is cancelled unless there is an emergency that comes up. That is the day the FMEA/FMPA conference starts. Unless we have something urgent to take up, we will cancel that meeting and the next meeting is August 2<sup>nd</sup>. Our staff was alerted to that so they could get things in on this Board meeting or will have to present them at the first meeting in August.

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Mr. Koblegard said that everything is pretty quiet on the legal front. He said he is getting closer to setting mediation in the Atlantic Coast Recycling case and Harbor Isles and it will probably require an out of the Sunshine meeting to discuss that. We have not ever had one before and he will try to schedule it after one of the Board meetings so they do not have to come at a separate time. Mr. Koblegard said he would get back with the Board as he gets closer to scheduling the time for it.

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Mr. Drummond said he did have the pleasure of attending the APPA Conference in Washington and found the different sessions to be very enlightening and everyone was very interested to know exactly what is going to happen in the future with coal. He said that is the number one concern and it will be interesting to see what happens with coal and what happens with the EPA.

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Mayor Benton said he passed out a book he received when he was at the USC Conference of Mayors and he found it interesting. He said it was the first conference he attended where he did not hear the words "cap and trade" mentioned at all. It was surprising and he wondered if it came up for discussion at the Washington conference.

Mr. Drummond said he does not know that they used the term "cap and trade".

Mr. Summerhays said they did, but it was not in the classes, it was the speakers.

Mr. Thiess said what was said is that probably nothing is going to happen in this Congress, but maybe after 2012 there would be some movement on that.

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Mr. Perri said that is the message they received in February when they were at the Legislative Session in Washington.

Mr. Perri asked when the report is due.

Mr. Thiess said the last CROD report is due August 15<sup>th</sup>.

Mr. Perri said that we would be meeting on July 14<sup>th</sup> without that report.

Mr. Thiess said that is correct and we have two more tentative workshops scheduled. We have one after the last report comes out towards the end of August and then we have one in between the two September meetings. The report will be presented to this Board at the first September meeting and the final September meeting is when the decision has to be made.

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There being no further business, the meeting was adjourned.

ATTEST:

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SECRETARY

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CHAIRMAN