

FORT PIERCE UTILITIES AUTHORITY



RATE SUFFICIENCY ANALYSIS

Electric, Water, Wastewater & Natural Gas Systems

March 9, 2011



Public Resources Management Group, Inc.

Utility, Rate, Financial and Management Consultants



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Mr. William G. Thiess, P.E.
Director of Utilities
Fort Pierce Utilities Authority
113 N. Second Street
Fort Pierce, FL 34950

Subject: Rate Sufficiency Analysis: Electric, Water, Wastewater & Natural Gas Systems

Dear Mr. Thiess:

We have completed our study of the electric, water, wastewater and natural gas rates for the Fort Pierce Utilities Authority (FPUA), and have summarized the results in this report for your consideration. This report summarizes our review of FPUA's rates necessary to meet the projected electric, water, wastewater and natural gas system (the "System") revenue requirements for fiscal year ending September 30, 2011 ("Fiscal Year 2011") through the fiscal year ending September 30, 2015 (the "Study Period"), and rates proposed to become effective with bills rendered on or after May 1, 2011 are presented herein. Because subsequent rate increases are also identified for the Study Period, it is recommended that FPUA continue to update and review its utility rate needs annually.

In our review of the adequacy of the existing electric, water, wastewater and natural gas rates, we have relied upon certain information and data provided by FPUA including the Comprehensive Annual Financial Reports; the adopted Fiscal Year 2011 Budget; the Five-Year Capital Improvement Program; customer statistics; periodic reports; records of operation; and other information and data provided by staff. To the extent we have performed our analyses using the data and information obtained from FPUA and others, we have relied upon such information to be accurate and no assurances are intended and no representation or warranties are made with respect thereto or the use made herein.

During the course of the study, it was determined that the proposed rates should meet a number of goals and objectives. The single most important goal of the study is to develop proposed utility rates that meet the projected expenditure requirements of each utility system on a stand-alone basis in order to maintain sound financial operations and to fund the anticipated capital needs of each system. The other goals and objectives considered in the study include the following:

- Proposed rates should be based on cost of service principals providing adequate revenues to support each utility system's operations on a stand-alone basis;

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- Proposed rates should be phased in over time through smaller incremental increases to minimize and avoid large, untimely rate increases;
- Proposed rates should promote the conservation of utility resources, while preserving the revenue stability of the System;
- Proposed rates should comply with rate covenants as required by the Bond Resolution; and
- Proposed rates should maintain adequate reserves for emergencies and unforeseen capital needs and other contingencies.

The proposed rates to become effective with bills rendered on or after May 1, 2011 as set forth herein reflect an initial (2.7%) rate reduction for the electric system, because the existing electric rates are generating a surplus, which is currently being used to offset other System losses. The proposed rates also include a 2.5% increase to the water, wastewater, and natural gas rates to recover a portion of the System revenue deficiencies. The proposed electric rate reduction combined with the 2.5% rate increases for water, wastewater and natural gas rates are projected to lower System revenues by \$721,000 for Fiscal Year 2011 or approximately \$1.4 million per year on average. The additional 2.5% annual rate increases identified for the water, wastewater and natural gas systems through Fiscal Year 2015, along with the use of \$7.8 million in existing operating reserves, are intended to: i) reduce the existing rate subsidy provided to the water, wastewater and natural gas systems by the electric system; ii) offset a portion of the electric rate reduction through small increases in the water, wastewater and natural gas rates over time; iii) help system revenues keep pace with inflation; iv) fund a portion of the projected capital needs of each utility system; and v) maintain a minimum operating reserve balance of not less than forty-five (45) days of operating expenses or approximately \$11.0 million.

As outlined in this study, the cumulative total rate increases for the water, wastewater and natural gas systems combined with the electric rate reduction through Fiscal Year 2015 will still not be fully sufficient to meet the total annual expenditures anticipated for the System without the use of existing operating reserves. For Fiscal Year 2015, it is estimated that the net System deficiency will be approximately \$2.0 million or 1.8% of System revenue even if all proposed rate increases are implemented. Thus, the water, wastewater and natural gas systems are expected to require additional rate increases beyond Fiscal Year 2015. It should be noted; however, that FPUA's annual debt service payments will decline by approximately \$2.0 million per year in Fiscal Year 2017 as existing debts are paid off, so FPUA should continue to update this forecast annually to revise its projection of rate needs.

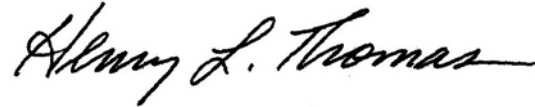
The proposed rate increases discussed in this report are intended to meet the goals, objectives and other financial considerations discussed herein. PRMG believes the recommended rates are cost justified and should be implemented at FPUA's earliest convenience.

Mr. William G. Thiess, P.E.
Fort Pierce Utilities Authority
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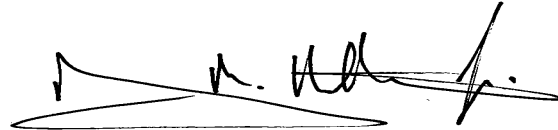
We appreciate the opportunity to submit this study to you for your consideration.

Respectfully submitted,

Public Resources Management Group, Inc.

A handwritten signature in cursive script that reads "Henry L. Thomas".

Henry L. Thomas
Vice President and Principal

A handwritten signature in cursive script that reads "Murray M. Hamilton, Jr.". The signature is written over a horizontal line.

Murray M. Hamilton, Jr.
Rate Consultant

FORT PIERCE UTILITIES AUTHORITY
RATE SUFFICIENCY ANALYSIS
ELECTRIC, WATER, WASTEWATER & NATURAL GAS SYSTEMS

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FORT PIERCE UTILITIES AUTHORITY
RATE SUFFICIENCY ANALYSIS
ELECTRIC, WATER, WASTEWATER & NATURAL GAS SYSTEMS
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FORT PIERCE UTILITIES AUTHORITY
RATE SUFFICIENCY ANALYSIS
ELECTRIC, WATER, WASTEWATER & NATURAL GAS SYSTEMS

GENERAL

The Fort Pierce Utilities Authority's (FPUA) user rates were last reviewed during the Fiscal Year 2009 Rate Study (the "Rate Study") dated February 20, 2009. The Rate Study proposed a series of annual rate increases for the water, wastewater and natural gas systems to reduce these systems' dependency on electric system revenue surpluses, to eliminate existing deficiencies, and to help revenues keep pace with inflation. FPUA's Board (the "Board") adopted the proposed water, wastewater and natural gas rates effective for bills rendered on or after April 1, 2009. No changes to the electric system rates were proposed for Fiscal Year 2009.

Following the Rate Study, the Board instructed staff to thoroughly review the costs of the electric, water, wastewater and natural gas systems (the "System") and to make recommendations to cut expenditures that would offset or lower the subsequent rate increases that were identified for each year beyond Fiscal Year 2009. Therefore, during the last eighteen (18) months, FPUA staff has reviewed its operating and capital budgets and developed a plan to reduce System costs. To assist FPUA in the financial planning process, Public Resources Management Group, Inc. (PRMG) was retained to perform a rate sufficiency analysis that would include a five-year financial forecast from Fiscal Year 2011 through 2015 (the "Study Period") to evaluate cost cutting recommendations proposed by staff, and to identify any subsequent rate surpluses or deficiencies.

EXISTING CONDITIONS

FPUA last adjusted its water, wastewater and natural gas rates on April 1, 2009, and during the Rate Study significant revenue deficiencies were projected to continue through Fiscal Year 2013. In response to the projected deficiencies, FPUA implemented a hiring & wage freeze to immediately reduce operating expenditures in lieu of raising utility rates. In addition, FPUA refunded existing debt obligations to take advantage of lower interest rates in December 2009. This strategy was successful in reducing FPUA's annual average debt service obligation including interest and principal payments by approximately \$1.0 million per year on average. In addition, FPUA's annual debt service payments were structured by FPUA's Financial Advisor (FA) so they would decline by an additional \$2.0 million per year beginning in Fiscal Year 2017. While the \$2.0 million reduction in annual debt service payments will not be realized until 2017, such reduction in System costs was considered when evaluating the overall recommendations outlined in this study.

FPUA also reduced its capital improvement program (CIP) substantially, which ultimately reduced the annual average capital funded from user rates from \$12.0 million per year on average to \$8.6 million per year on average over the Study Period or approximately \$3.4 million per year. The reduction in capital expenditures included the elimination of FPUA's capital budget contingency or approximately \$800,000 per year. Lastly, FPUA also removed an

additional \$1.0 million operating budget contingency that was included in the adopted Fiscal Year 2011 Budget. Based on discussions with FPUA staff, to the extent funding is required for unforeseen expenditures, existing cash reserves will be used to fund those unexpected costs.

Based upon the reductions in System costs outlined above and the implementation of the adopted water, wastewater and natural gas rate increases that became effective on April 1, 2009, FPUA has been able to accumulate an unrestricted cash reserve balance of approximately \$20.3 million (as of September 30, 2010), which exceeds FPUA's internal cash reserve policy that targets a minimum cash balance of not less than 60 days of operating and maintenance expenditures. While a portion of the existing cash reserves is intended to fund capital projects that have been temporarily delayed, a portion of the cash reserves is projected to be available to help phase in any required rate increases over the Study Period.

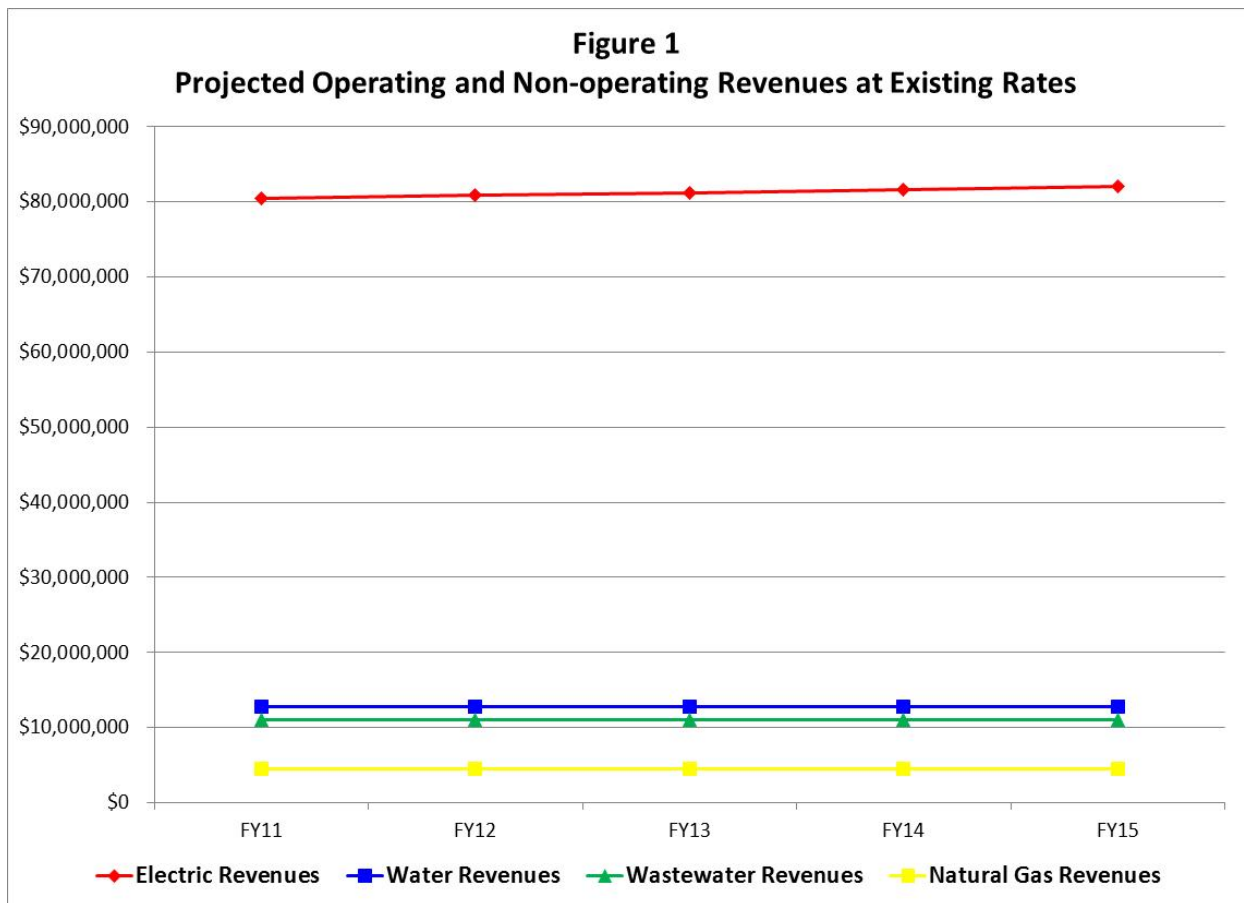
CUSTOMERS, SALES, AND REVENUES

FPUA's revenue is dependent upon two (2) primary cost recovery charges; the monthly base charge and the usage charge. The monthly base charge is a fixed monthly charge that is unique to each utility service location. The fixed charges recover approximately 15% of the total System costs, while approximately 49% of such costs are fixed. The remaining System costs (85%) are then recovered from the usage charges. Based on the relationship of revenue from fixed charges as compared to fixed costs, FPUA is subject to revenue instability (i.e., a reduction in sales will reduce usage revenues more than the associated reductions in cost since a significant portion of fixed costs are recovered through the usage charge). This instability can occur when sales decline due to regulatory watering restrictions, customer conservation efforts, and adverse economic conditions.

The existing economic conditions in the community combined with the negative impacts of recent foreclosures continue to adversely affect System revenues. Therefore, in preparing the Fiscal Year 2011 Budget, FPUA staff did not anticipate any significant changes in customer billing and unit sales projections as compared to recent actual results. For the purposes of estimating the sufficiency of existing rates, the budgeted revenues as adopted by the Board served as the basis to estimate future revenues of the System. However, because many new and existing homes and business are now vacant, and construction schedules that once existed have either been canceled or delayed, PRMG did not plan on any new customer growth through the Study Period. Generally, all operating and non-operating revenues were held constant for the five (5) year period with the exception of electric system revenues. If further reductions in sales and revenues occur, the FPUA may need to revise the financial plan as projected herein.

The electric system revenues include a pass-through Purchased Power Cost Adjustment (PCA). Since July 2009, the PCA has been reduced approximately 30% from \$54.00 per mega-watt-hour (1,000 kilo-watt-hours or MWh) to \$38.00 per MWh or \$16.00 per month on average for a 1,000 kilo-watt-hour (kWh) residential bill. The average 1,000 kWh residential bill has declined approximately 11% from July 2009 to February 2011. As a result in the decline in total power costs, existing electric customers are beginning to use more energy per month. By Fiscal Year 2009, the average residential monthly energy use had declined from 960 kWh per month in 2006 to 770 kWh per month in 2009. During 2010, the average residential energy use rebounded to approximately 800 kWh per month on average while no new residential customers were added to

the electric system. Commercial and other general service customer sales also increased from 2009 to 2010. Based on year-to-date information, this sales recovery is expected to continue through the Study Period, which is estimated at 0.5% annual sales growth per year. No new customer growth has been assumed for the electric system. Over the Study Period, it is estimated that the cumulative energy sales recovery will produce approximately \$500,000 per year in new electric net revenues (i.e., new electric revenue less direct purchased power costs) by Fiscal Year 2015. This assumes that wholesale power costs will not increase significantly during the Study Period. The following chart summarizes the operating and non-operating revenue projections for each utility system for the Study Period:



REVENUE REQUIREMENTS

The various components of costs associated with operating and maintaining a utility system, as well as the costs of financing the renewals and replacements of existing facilities and the capital improvements for upgrades and expansions, are generally considered the revenue requirements of a public utility such as FPUA's System. The sum of these costs, after adjusting for other income and other operating revenues available to the utility, represents the net revenue requirements to be recovered from rates. The development of the net revenue requirements for the electric, water, wastewater, and natural gas systems is a critical component of the study since utility rates should be designed to fully recover the cost of providing service. The projection of revenue requirements associated with each utility system required certain assumptions and

considerations that were predicated upon the Adopted Fiscal Year 2011 Operating and Capital Budgets. The following is a discussion of the major assumptions and other considerations used in this study:

1. FPUA's Adopted Fiscal Year 2011 Operating Budget totals \$115.1 million, and for the purpose of identifying cash-basis, operating expenditures to be recovered from user rates, PRMG removed from the budget all non-cash expenditures, including depreciation and amortization. In addition, interest expenses associated with long-term debt and FPUA's Distribution to the City of Fort Pierce (the "City") were removed from the operating projections so that those amounts could be presented separately within the schedule of net revenue requirements. The Fiscal Year 2011 Budget was further adjusted as follows:
 - a. Following staff's review of health insurance requirements for Fiscal Year 2011, employee insurance expenses were reduced by \$229,000.
 - b. To account for labor-related expenses that are expected to be capitalized along with capital improvements provided for in the CIP, the Adopted Fiscal Year 2011 Operating Departmental Budget was further adjusted by \$1.3 million to reflect the accounting of these labor costs in the CIP Projects.
 - c. The Fiscal Year 2011 Operating Budget was further adjusted by 1.0 million to remove the expenditure contingencies included in the adopted budget.
2. To estimate the annual operating expenditures for each year beyond Fiscal Year 2011 certain assumptions and considerations regarding inflation and other factors were considered. The following discussions highlight the major assumptions used in developing a projection of operating expenditures:
 - a. FPUA's operating expenditures, excluding wholesale purchased power and gas costs which are recovered through separate pass-through adjustments, are projected to increase approximately 2.5% per year on average through Fiscal Year 2015. This estimate was prepared based upon applying the following annual inflationary adjustments to the adjusted Fiscal Year 2011 Operating Budget as follows:
 - Wage & Salary Adjustments – 2% per year
 - Employee Insurance – 8% per year
 - Property & Liability Insurance – 5% per year
 - Repairs & Maintenance – 3% per year
 - Underlying Inflation Rate – 2% per year [*]
 - b. The annual expenditures for wholesale purchase power and gas costs were estimated at existing budgetary levels. Since no sales growth was assumed for the natural gas system, purchased gas costs were held constant. For the electric system, it was assumed that electric sales would increase approximately 0.5% per year on average; therefore, the total

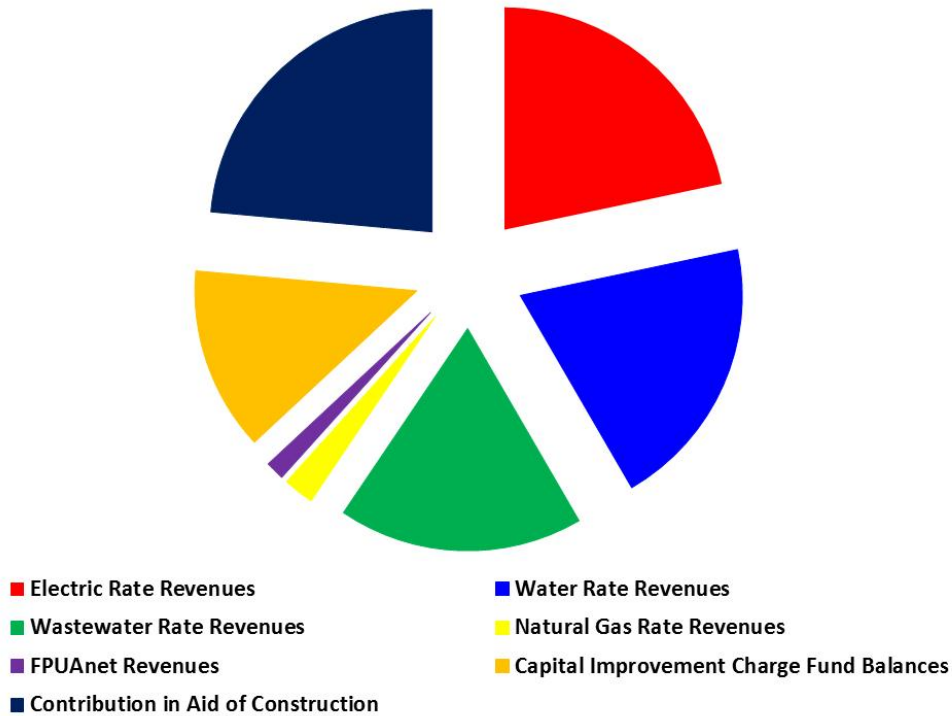
[*] Estimated based upon projections provided by the Congressional Budget Office (CBO).

purchased power costs were increased based upon this growth assumption. However, no additional increases or decreases in future fuel costs were assumed. Additionally, for the purposes of estimating the sufficiency of FPUA's base rates (i.e., the portion of user rates that are used to fund FPUA's direct service charges), we have assumed that future PCA and PGA levels will be adjusted as appropriate to ensure that the System recovers its direct wholesale costs as they increase/decrease during the Study Period.

3. FPUA has several refunding revenue bonds outstanding including the Series 1999A Bonds, the Series 1999B Bonds, the Series 2002 Bonds and the Series 2003 Bonds. In December 2009, FPUA issued the Series 2009 Utilities Refunding Revenue Bonds to refund three (3) FMPA Pooled Loans. The 2009 refunding strategy lowered the annual average debt service payments by approximately \$1.0 million per year, and FPUA's projected annual debt service payments are estimated to be approximately \$9.7 million per year on average for the Study Period. Beginning in Fiscal Year 2017, the annual debt service payments have been structured by FPUA's FA to decline by an additional \$2.0 million per year. While the \$2.0 million reduction in annual debt service payments will not be realized until 2017, such reduction in System costs was considered when evaluating the overall recommendations outlined in this study. During the 2009 refunding, FPUA's Bond Resolution was revised and certain provisions were amended and/or deleted. The projections outlined in this study comply with the covenants and obligations outlined in the Bond Resolution.
4. FPUA addresses all capital-related needs of the electric, water, wastewater and natural gas systems through its long-range capital improvement program (CIP). Following the 2009 Rate Study, FPUA staff significantly reduced the CIP, which ultimately reduced the annual average capital funded from user rates from \$12.0 million per year on average to \$8.6 million per year on average or approximately \$3.4 million per year. The reduction in capital expenditures included the elimination of FPUA's capital contingency or approximately \$800,000 per year. FPUA's five (5) year CIP totals approximately \$69.9 million, which includes some allowance for cost inflation as estimated by staff, but does not include the capital contingency as discussed herein.
 - a. FPUA's CIP must incorporate the need for capital infrastructure in advance of new development; therefore, the CIP includes certain projects that may need to be completed in the future to add additional capacity to serve new customer growth. Such projects, if required when new construction returns, are expected to be funded by developer contributions and capital improvement charges. The expansion related projects total approximately \$25.8 million. To the extent new growth does not reoccur as anticipated in the CIP, such projects may need to be delayed and/or staff may need to identify alternative funding sources. Please note that this study does not include additional operating revenues from new growth in the System over the Study Period. Instead, the plan as prepared by FPUA staff is tailored to accommodate new growth should it occur. The following chart summarizes the resources identified by staff that are expected to fund the CIP through Fiscal Year 2015:

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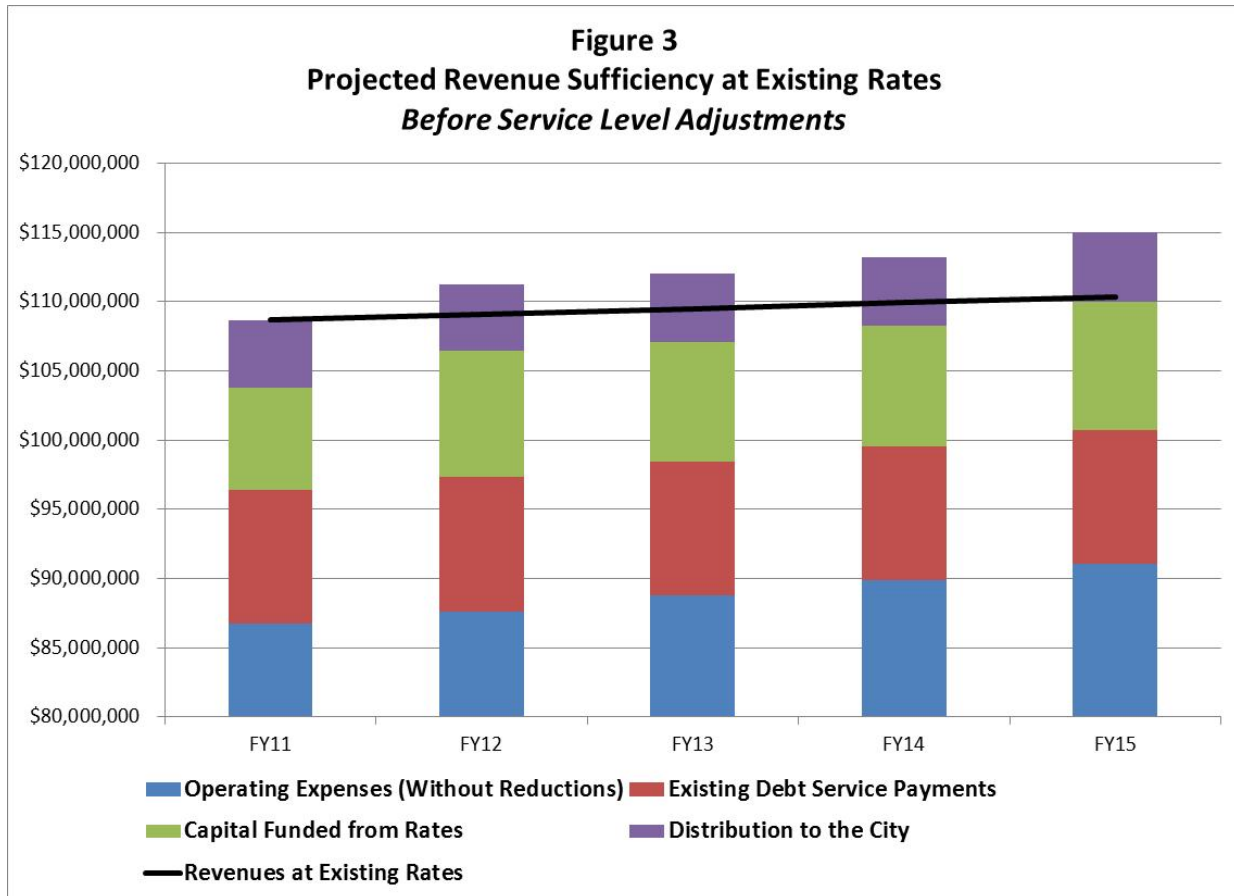
Figure 2
CIP Funding Resources through Fiscal Year 2015



5. As shown in Item No. 4 above, FPUA plans to fund approximately \$43.1 million of the CIP through electric, water, wastewater and natural gas rate revenues or approximately \$8.6 million per year on average. If unforeseen capital expenditures arise, staff will address the individual needs of the expenditure, and to the extent funding is required and justified, will transfer funds available from other projects and/or utilize existing cash reserves to fund those unexpected charges.

6. As defined in Article XII, Section 178(d) of the City Charter of the City of Fort Pierce, Florida, FPUA is required to pay a six percent (6%) distribution to the City. The distribution is expensed in the year the cash payment is made, while the calculation of the required distribution is based upon the preceding fiscal year's audited financial statements. The required payment reflects six percent (6%) of System gross revenues as adjusted for fuel and gas adjustment revenues, capital improvement charges, sanitation charges, MOEC operating revenues, and FPUA contributions. Based upon the revised provisions of the Bond Resolution, the Distribution to the City is no longer limited to forty percent (40%) of the annual cash flows after payment of debt service; therefore, the full transfer amount equal to 6% of the previous year's gross revenues is projected to be due and payable. Based upon the budgeted revenues of the System including the increased sales recovery outlined for the electric system, the projected annual Distribution to the City is estimated at \$4.9 million per year on average for the Study Period.

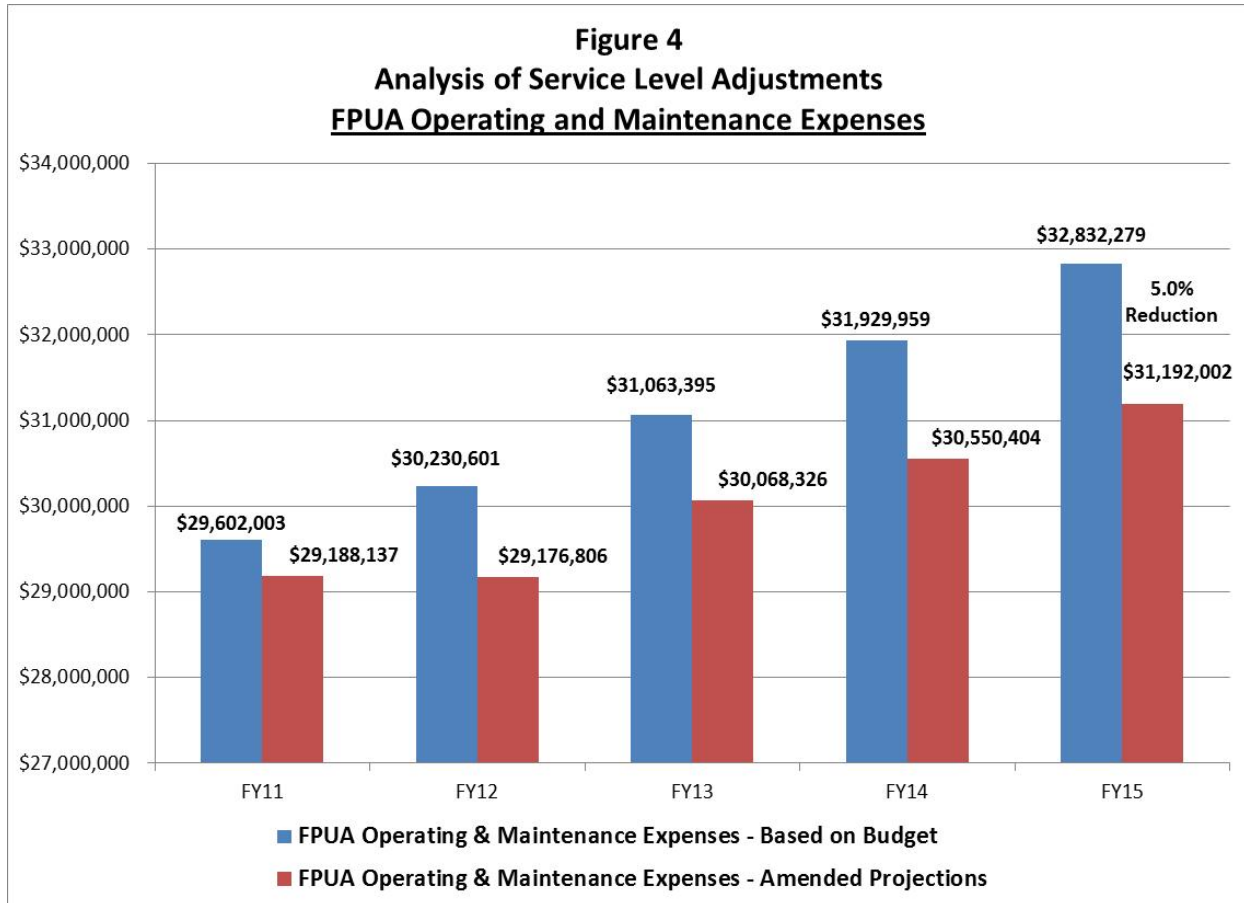
The projected net revenue requirements were allocated among the individual utility systems for the Study Period and are summarized on a total System basis in Table 1 at the end of this report. The following chart summarizes the projected revenue sufficiency of FPUA’s existing rates based upon the Adopted Fiscal Year 2011 Operating and Capital Budgets, as adjusted herein:



As shown above for the combined System, the projected annual revenue deficiency by Fiscal Year 2015 without additional cost reductions is projected to be approximately \$4.7 million or 4.3% of gross revenues. In addition to the cost reductions already discussed herein, FPUA staff continued its cost cutting evaluation by addressing strategic service level adjustments or SLAs. Staff prepared a listing of approximately three-hundred (300) services and other conditions that create annual charges to FPUA. Staff then evaluated each service and condition to estimate the internal and external impacts to customers that could result from amending or eliminating certain service criteria. FPUA staff held a strategic planning workshop in January and a rate workshop in February so that the Board and the City Commission (the “Commission”) could discuss and evaluate staff’s recommendations related to the planned expenditure reductions and any subsequent changes to utility rates.

Based upon staff’s recommendations, which were approved by the Board, the projected operating expenditures outlined in this study were further reduced by approximately \$1.6 million

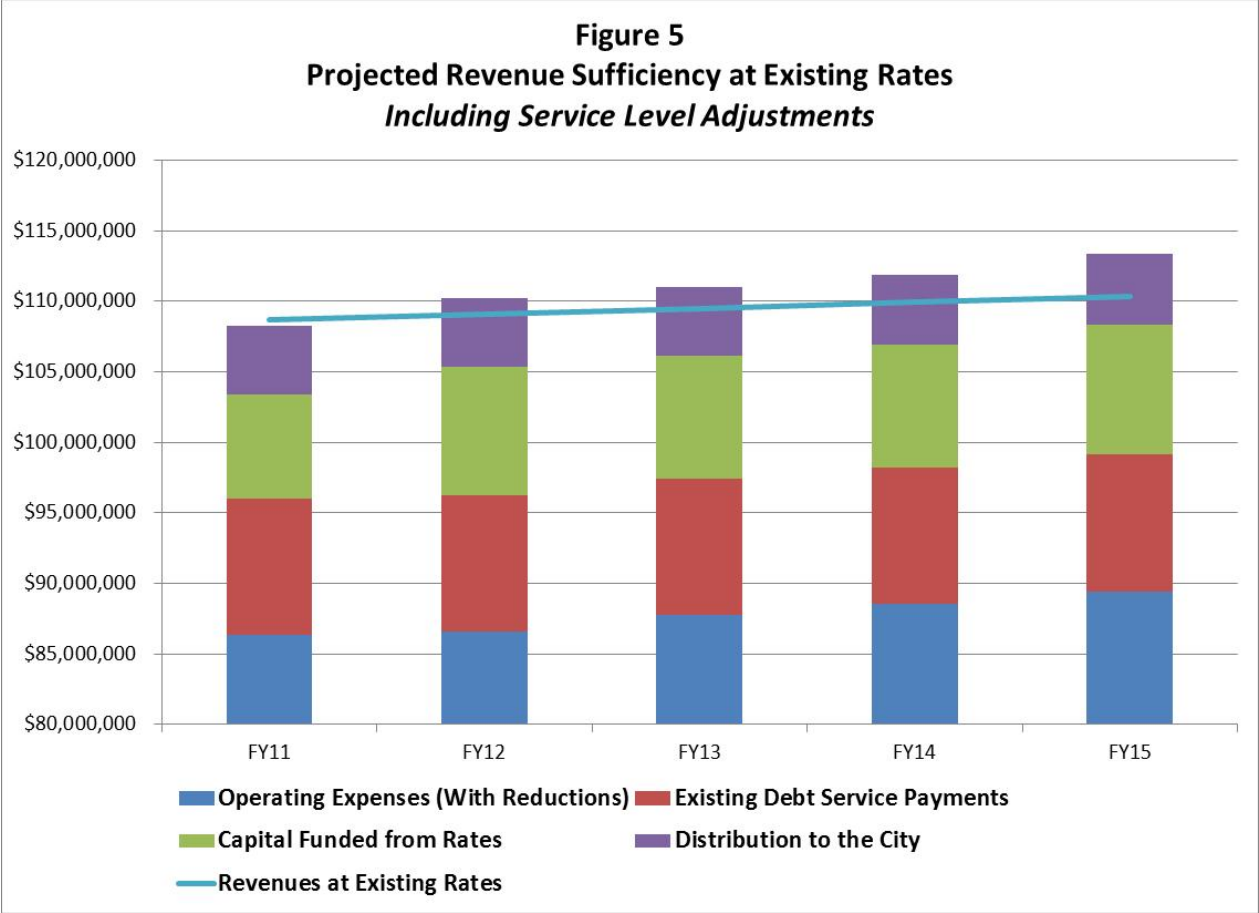
per year by Fiscal Year 2015. Such reductions are expected to begin in Fiscal Year 2011 and continue to be phased in over the Study Period. The following chart summarizes the cumulative reduction in FPUA operating expenses over the Study Period, which represents a 5% reduction in FPUA expenses by the end of the Study Period:



ADEQUACY OF EXISTING RATES

Based upon the projected needs of the System, including the SLAs discussed above that reduced the annual revenue requirements of the combined System, the following chart summarizes the projected revenue sufficiency of existing rates:

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As shown above, the projected revenue deficiency based on existing rates is improved due to the additional cost reductions proposed by FPUA staff. The cumulative deficiency by Fiscal Year 2015 was reduced from \$4.7 million to approximately \$3.0 million or 2.7% of gross revenues. The total System costs and revenues were then apportioned between each utility system to estimate revenue sufficiency on a stand-alone basis. Table 1, at the end of this report, summarizes the combined System Net Revenue Requirements and Rate Sufficiency. Tables 2 through 5 provide the projected results for each utility system. The following discussions summarize the projected revenue sufficiency for the electric, water, wastewater and natural gas systems:

1. The electric system is expected to have a \$3.7 million surplus in revenues for Fiscal Year 2011, and it is projected that the revenue surplus will continue through Fiscal Year 2015 even after considering inflationary pressure on electric system costs. By Fiscal Year 2015, the projected annual revenue surplus is estimated at \$3.0 million or 3.7% of electric gross revenues. As will be demonstrated below, the electric system’s revenue surplus is being used to subsidize and fund other operating and capital revenue deficiencies within the water, wastewater, and natural gas systems. This study proposes an immediate rate reduction for the electric system with subsequent rate increases to the water, wastewater and natural gas rates so that each system stands alone financially and the electric system does not subsidize the other systems.

2. The water system is expected to have a \$1.5 million deficiency for Fiscal Year 2011, which is expected to increase to approximately \$3.4 million by Fiscal Year 2015 due to the level of capital expenditure needs and estimated inflationary pressure on water system operating costs. The estimated deficiency by Fiscal Year 2015 is approximately 26.3% of gross water revenues, which would require annual rate increases of 4.8% per year on average through Fiscal Year 2015 to fully cure the revenue deficiency during the Study Period. As will be discussed in the next section, PRMG proposes more modest adjustments by using existing cash reserves to fund certain capital expenditures throughout the Study Period and to phase in the required rate increases.
3. The wastewater system is expected to have a \$1.1 million deficiency for Fiscal Year 2011, which is expected to increase to approximately \$2.2 million by Fiscal Year 2015 due to the level of capital expenditure needs and estimated inflationary pressure on wastewater system operating costs. The estimated deficiency by Fiscal Year 2015 is approximately 20.8% of gross wastewater revenues, which would require annual rate increases of 3.8% per year on average through Fiscal Year 2015 to fully cure the revenue deficiency during the Study Period. As with the water system, PRMG proposes more modest adjustments by using existing cash reserves throughout the Study Period to fund certain capital expenditures and to phase in the required rate increases.
4. The natural gas system is expected to have a \$250,000 deficiency for Fiscal Year 2011, which is expected to increase to approximately \$400,000 by Fiscal Year 2015 due to estimated inflationary pressure on system operating costs. The estimated deficiency by Fiscal Year 2015 is approximately 9.8% of gross natural gas revenues, which is estimated to be cured by the proposed rate increases outlined in this study.

PROPOSED COST RECOVERY PLAN

Based on discussions with FPUA staff, specific goals and financial criteria were established for the purposes of developing the cost recovery plan. Some of the major goals and financial criteria considered during this study are as follows:

1. FPUA's plan to phase in rate increases considers the reduction in its annual debt service costs that will occur in Fiscal Year 2017. Based upon the existing debt service payment schedules, the annual debt service payments will decrease by approximately \$2.0 million per year. This reduction represents approximately 67% of the total \$3.0 million revenue deficiency projected for the System by Fiscal Year 2015.
 - a. The plan should fully utilize existing cash reserves to the extent practical to phase in required rate increases by Fiscal Year 2017, at which point, the annual debt service payments will decline.
 - b. The plan should provide adequate revenues to fund 100% of all operating expenses, annual debt service payments, and the Distribution to the City. Excess revenues and reserves, to the extent available, may be used to fund capital projects.

- c. The plan may consider allowing reserves to fall below the targeted minimum level equal to 60 days of operating and maintenance expenses or \$14.7 million; however, such year-end cash balance should always exceed 45 days of operating and maintenance expenses or \$11.0 million.
- d. The plan should consider each utility's contribution to the total System deficiency, and if rates are deemed inadequate, the plan should identify the smallest allowable rate increases to phase in the requirements over time. Also, to the extent justifiable, the electric rates should be reduced.

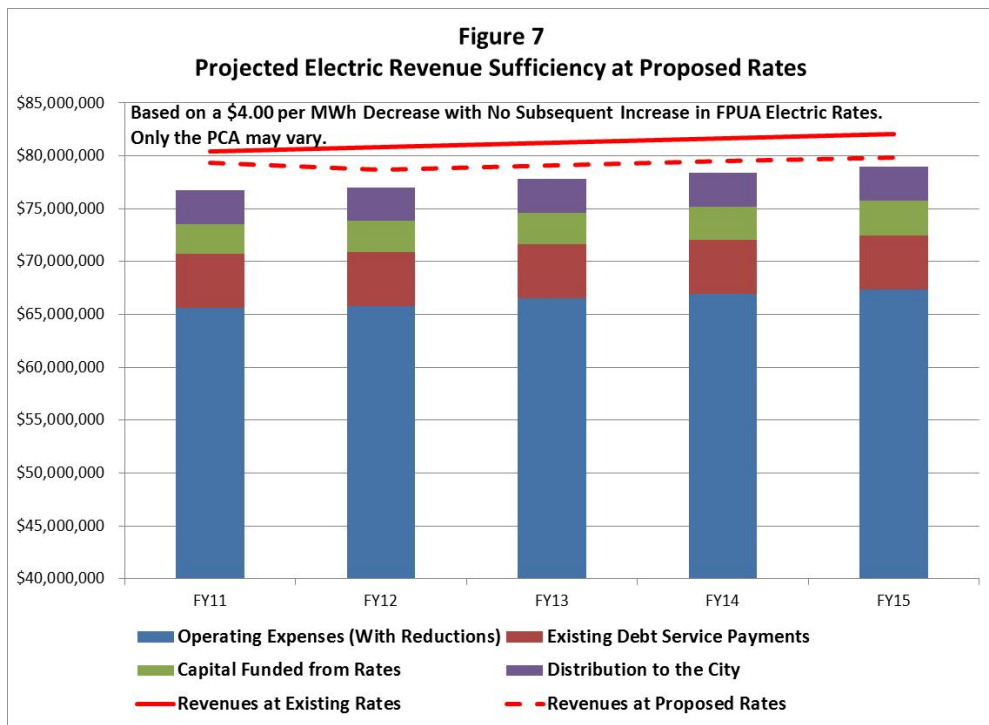
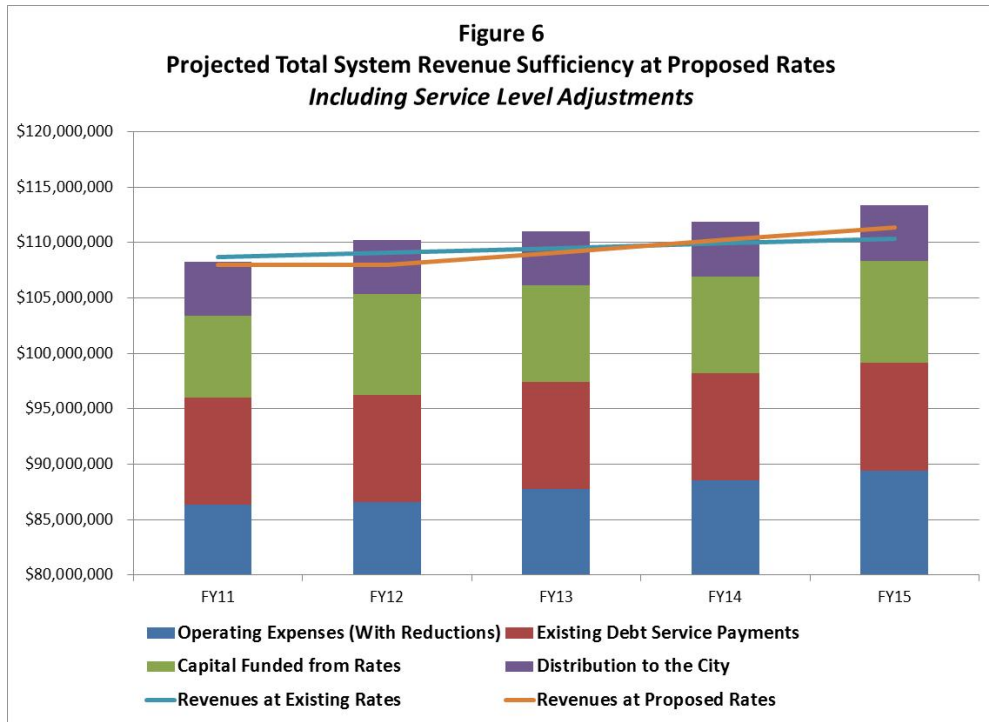
Based upon the major goals and financial criteria developed in conjunction with FPUA staff, the following table summarizes the recommended rate adjustments and results for the Study Period:

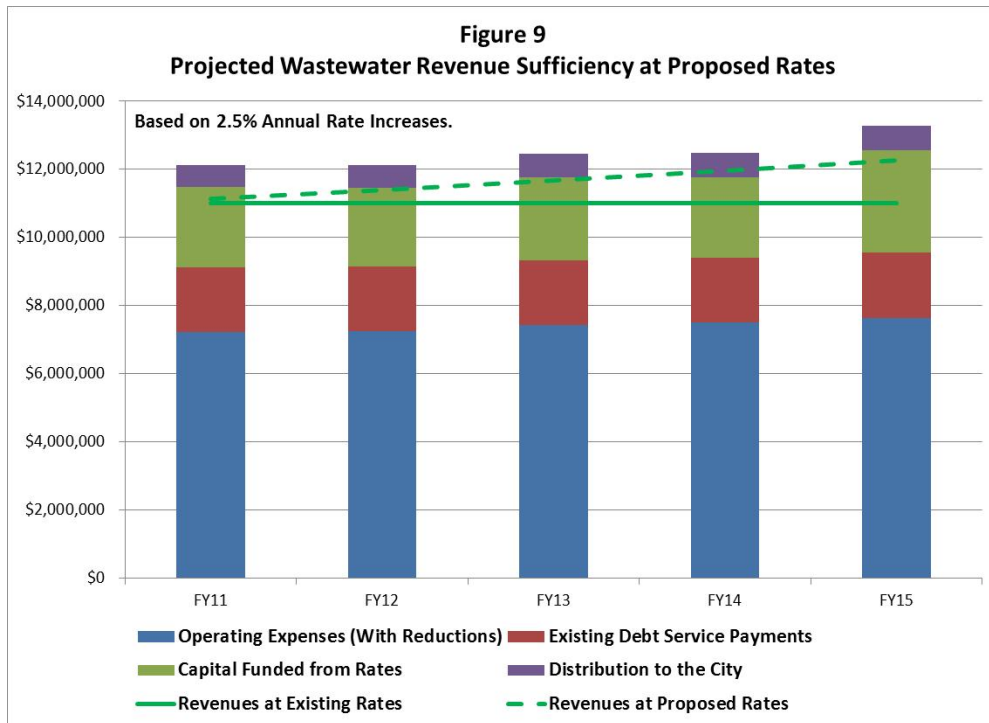
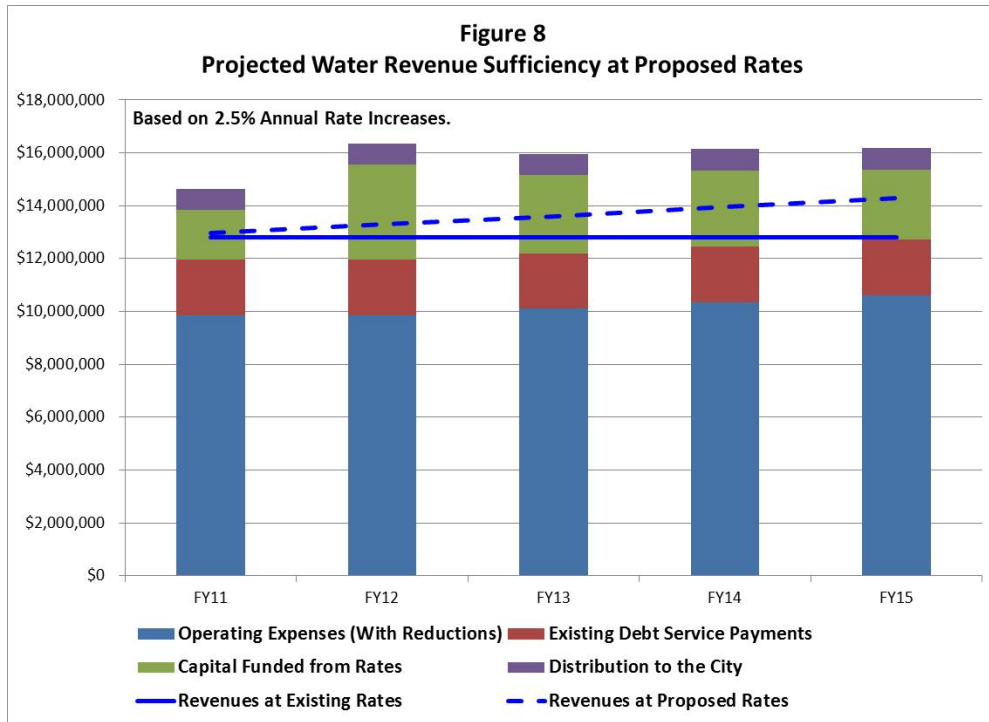
Description		2011	2012	2013	2014	2015
Required Annual Increases - Apr. 1 of Each Fiscal Year						
Electric System	Amount reflects a (\$4.00) per MWh Decrease May 1, 2011	→ (2.7%)	0.0%	0.0%	0.0%	0.0%
Water System		2.5%	2.5%	2.5%	2.5%	2.5%
Wastewater System		2.5%	2.5%	2.5%	2.5%	2.5%
Natural Gas System	Amounts Based on Inflation	↗ 2.5%	2.5%	2.5%	2.5%	2.5%
System-wide (Weighted Average)		(1.4%)	0.7%	0.7%	0.7%	0.7%
Combined Surplus / (Deficiency)		(\$225,639)	(\$2,190,200)	(\$1,874,541)	(\$1,605,304)	(\$1,979,625)
Percent of System Revenues		(0.2%)	(2.1%)	(1.8%)	(1.5%)	(1.8%)
Unrestricted Cash Balances		\$20,258,280	\$18,189,780	\$16,423,001	\$14,911,056	\$13,009,896
Days of O&M		86	77	68	61	53

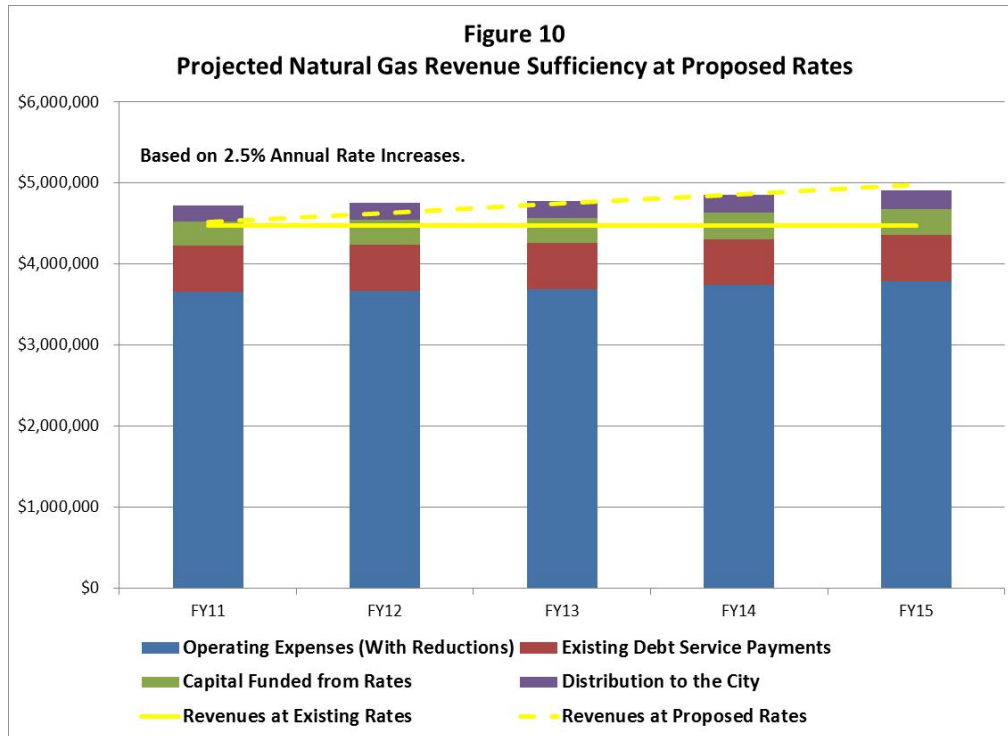
As shown above, PRMG recommends an immediate 2.7% reduction in electric system revenues for bills rendered on or after May 1, 2011 or \$4.00 per MWh. No additional rate adjustments for the electric system through Fiscal Year 2015 have been identified at this time. However, the PCA, which recovers changes in FPUA's wholesale energy costs may continue to increase or decrease over time.

For the water, wastewater and natural gas systems, rates are proposed to increase 2.5% for bills rendered on or after May 1, 2011. The revenues of the systems are significantly deficient and are currently being subsidized by electric system revenues. The water, wastewater and natural gas rates need to rise over time. It is recommended that FPUA increase the water, wastewater and natural gas rates by at least 2.5% per year on average through Fiscal Year 2015 to reduce their dependency on electric revenues and allow for the proposed electric rate reduction. If the proposed electric rate reduction and all rate increases were adopted by the Board, the projected electric system surplus and subsidy is expected to be reduced by at least 70%. As shown above, the proposed rate adjustments will lower existing System revenues by \$721,000 for Fiscal Year 2011 or approximately \$1.4 million per year on average. The additional 2.5% annual rate increases identified for the water, wastewater and natural gas systems through Fiscal Year 2015, along with the use of \$7.8 million in existing operating reserves are used to fund the needs of the System through Fiscal Year 2015. By Fiscal Year 2015, revenues are still expected to be deficient by approximately \$2.0 million or 1.8% of gross reserves. We estimate that FPUA may need additional rate increases in Fiscal Year 2016 before the debt service payments decline by

\$2.0 million beginning in Fiscal Year 2017. The following figures summarize the projected results based upon the adoption of the proposed rate adjustments through Fiscal Year 2015:







EXISTING AND PROPOSED RATES

Based on the cost recovery plan shown above, it is recommended that the Board consider adopting the proposed rate increases beginning with bills rendered on or after May 1, 2011, and review its utility rates annually to reevaluate the sufficiency of future utility rates. Table 6 at the end of this report provides a list of existing to proposed residential rates based upon a \$4.00 per MWh reduction in the energy charge and 2.5% system-wide rate increases to the water, wastewater, and natural gas rates. The following tabulation shows the residential bill comparison based on the recommended rate increases and the average monthly usage per residential account for the various utility services:

Existing and Proposed Residential Bill Comparison [1]

	February Bill	New Total Bill	Increase (\$)	Percent
Electric (1,000 kWh) [2]	\$133.84	\$129.84	(\$4.00)	(3.0%)
Water (6,000 gallons)	28.62	29.33	0.71	2.5%
Wastewater (6,000 gallons)	44.06	45.19	1.13	2.5%
Total Electric, Water & Wastewater	\$206.52	\$204.36	(\$2.16)	(1.0%)
Natural Gas (13 ccf) [3]	\$31.54	\$32.23	\$0.69	2.2%

[1] Amounts exclude all taxes and surcharges that might be applicable.

[2] Amounts reflect a PCA of \$38.00 per MWh.

[3] Amounts reflect a PGA of \$0.30 per CCF.

As shown in the previous tabulation, most customers will see a net reduction in their bill beginning on or after May 1, 2011 based on the proposed rate adjustments. Because FPUA

serves more electric customers than any other utility service, a large number of electric only customers will receive the full reduction in electric rates with no rate increase related to the other systems' needs.

CONCLUSIONS AND RECOMMENDATIONS

Based on our studies, assumptions, consideration and analyses as summarized herein, we are of the opinion that:

1. FPUA's existing rates are not sufficient to meet the System revenue requirements through Fiscal Year 2015.
2. FPUA's electric rates are expected to produce a \$3.7 million surplus in Fiscal Year 2011, which is being used to subsidize the other utility system losses. FPUA should consider reducing the electric revenues by 2.7% for bills rendered on or after May 1, 2011 or \$4.00 per MWh on each energy charge.
3. FPUA should consider adopting the proposed 2.5% system-wide rate increases for the water, wastewater, and natural gas systems beginning with bills rendered on or after May 1, 2011.
4. The proposed rate increases outlined from Fiscal Year 2012 through 2015 are intended to help phase in the rate needs of the combined System over time by using approximately \$7.8 million in cash reserves. The proposed rate increases are not expected to fully cure the projected revenue deficiencies through Fiscal Year 2015. Instead, it is estimated that additional rate increases may be required in Fiscal Year 2016 before FPUA's annual debt service payments decline approximately \$2.0 million beginning in Fiscal Year 2017. It is estimated that the decline in debt service payments may substantially reduce the revenue deficiency by Fiscal Year 2017.
5. Based on the adoption of the recommendations outlined in this study, the projected unrestricted reserve balance is expected to be reduced from approximately \$21.0 million as of September 30, 2010 to \$13.0 million by September 30, 2015 or fifty-three (53) days of operating expenses. Such reserve balance is projected to exceed the minimum threshold of forty-five (45) days or approximately \$11.0 million.
6. FPUA should consider updating the financial forecast annually to reevaluate and confirm the future rate needs of the System. To the extent actual results are better than those presented herein, it is recommended that FPUA look at additional reductions to the electric rates, while continuing to increase the water, wastewater and natural gas rates modestly over time.

**Fort Pierce Utilities Authority
Rate Sufficiency Analysis**

List of Tables

Table No.	Description
1	Combined Revenue Requirements and Rate Sufficiency
2	Projected Electric System Revenue Requirements and Rate Sufficiency
3	Projected Water System Revenue Requirements and Rate Sufficiency
4	Projected Wastewater System Revenue Requirements and Rate Sufficiency
5	Projected Natural Gas System Revenue Requirements and Rate Sufficiency
6	Existing to Proposed Residential Rates

Table 1
Fort Pierce Utilities Authority
Rate Sufficiency Analysis

Combined Revenue Requirements and Rate Sufficiency

Line No.	Description	Projected Fiscal Year Ending				
		2011	2012	2013	2014	2015
Operating Expenditures						
1	Projected Expenses at Adopted Fiscal Year 2011 Levels	\$86,726,887	\$87,630,288	\$88,739,260	\$89,883,382	\$91,064,648
2	Supplemental Budget Reductions (SLAs)	(413,865)	(1,053,795)	(995,069)	(1,379,555)	(1,640,276)
3	Total Operating Expenditures	\$86,313,021	\$86,576,493	\$87,744,191	\$88,503,827	\$89,424,372
Other Revenue Requirements						
Debt Service						
4	Existing Debt Service	\$9,686,529	\$9,682,517	\$9,684,491	\$9,686,141	\$9,681,741
5	Proposed Debt Service	0	0	0	0	0
6	Use of Capital Improvement Charges	0	0	0	0	0
7	Total Debt Service	\$9,686,529	\$9,682,517	\$9,684,491	\$9,686,141	\$9,681,741
8	Transfer to Renewals & Replacement Fund	\$0	\$0	\$0	\$0	\$0
9	Capital Funded from Rates	7,364,016	9,121,279	8,680,852	8,713,870	9,254,842
10	Capital Contingency Funded from Rates	0	0	0	0	0
11	Transfer - Distribution to the City	4,856,424	4,820,981	4,878,200	4,936,528	4,996,002
12	Temporary Use of Reserves to Fund Capital	0	0	0	0	0
13	Total Other Revenue Requirements	\$21,906,969	\$23,624,777	\$23,243,543	\$23,336,540	\$23,932,585
14	Gross Revenue Requirements	\$108,219,990	\$110,201,270	\$110,987,734	\$111,840,367	\$113,356,957
Less Other Revenues and Income						
15	Other Operating Revenues	\$1,488,293	\$1,488,293	\$1,488,293	\$1,488,293	\$1,488,293
16	Non-operating Revenues	675,178	675,178	675,178	675,178	675,178
17	Total Other Revenues and Income	\$2,163,471	\$2,163,471	\$2,163,471	\$2,163,471	\$2,163,471
18	Net Revenue Requirements	\$106,056,519	\$108,037,799	\$108,824,263	\$109,676,896	\$111,193,486
Revenue from Existing Rates						
19	Existing Rate Revenue	\$106,551,801	\$106,946,510	\$107,343,293	\$107,742,001	\$108,142,782
20	Prior Year Rate Revenue Adjustments	0	(1,452,500)	(756,000)	(41,900)	690,300
Total Rate Revenue Before Current Year Adjustment						
21	Year Adjustment	106,551,801	105,494,010	106,587,293	107,700,101	108,833,082
<u>Current Year Rate Adjustments - Step 1</u>						
22	Current Year Rate Revenue Adjustment Effective Month	0.0%	0.0%	0.0%	0.0%	0.0%
23	% of Current Year Effective	100.00%	100.00%	100.00%	100.00%	100.00%
24	Total Revenue from Current Year Adjustments	\$0	\$0	\$0	\$0	\$0
<u>Current Year Rate Adjustments - Step 2</u>						
25	Current Year Rate Revenue Adjustment Effective Month	-1.4%	0.7%	0.7%	0.7%	0.7%
26	% of Current Year Effective	50.00%	50.00%	50.00%	50.00%	50.00%
27	Total Revenue from Current Year Adjustments	(\$720,921)	\$353,589	\$362,429	\$371,490	\$380,778
28	Total Revenue from Rates	\$105,830,880	\$105,847,599	\$106,949,722	\$108,071,591	\$109,213,860
29	Revenue Surplus/(Deficiency)	(\$225,639)	(\$2,190,200)	(\$1,874,541)	(\$1,605,304)	(\$1,979,625)
30	Surplus/(Deficiency) - Percent of Rate Revenues	-0.21%	-2.07%	-1.75%	-1.49%	-1.81%

Table 2
Fort Pierce Utilities Authority
Rate Sufficiency Analysis

Projected Electric System Revenue Requirements and Rate Sufficiency

Line No.	Description	Projected Fiscal Year Ending September 30,				
		2011	2012	2013	2014	2015
Operating Expenditures						
1	Projected Expenses at Adopted Fiscal Year 2011 Levels	\$65,786,058	\$66,319,276	\$66,900,891	\$67,496,675	\$68,107,404
2	Supplemental Budget Reductions (SLAs)	(201,483)	(514,551)	(371,897)	(578,840)	(739,491)
3	Total Operating Expenditures	\$65,584,575	\$65,804,725	\$66,528,994	\$66,917,835	\$67,367,913
Other Revenue Requirements						
Debt Service						
4	Existing Debt Service	\$5,104,782	\$5,102,800	\$5,102,244	\$5,105,428	\$5,102,716
5	Proposed Debt Service	0	0	0	0	0
6	Use of Capital Improvement Charges	0	0	0	0	0
7	Total Debt Service	\$5,104,782	\$5,102,800	\$5,102,244	\$5,105,428	\$5,102,716
8	Transfer to Renewals & Replacement Fund	\$0	\$0	\$0	\$0	\$0
9	Capital Funded from Rates	2,812,793	2,916,950	2,987,376	3,144,513	3,306,424
10	Capital Contingency Funded from Rates	0	0	0	0	0
11	Transfer - Distribution to the City	3,240,780	3,165,482	3,181,311	3,197,216	3,213,205
12	Temporary Use of Reserves to Fund Capital	0	0	0	0	0
13	Total Other Revenue Requirements	\$11,158,355	\$11,185,233	\$11,270,932	\$11,447,156	\$11,622,345
14	Gross Revenue Requirements	\$76,742,930	\$76,989,958	\$77,799,926	\$78,364,991	\$78,990,258
Less Other Revenues and Income						
15	Other Operating Revenues	\$1,101,001	\$1,101,001	\$1,101,001	\$1,101,001	\$1,101,001
16	Non-operating Revenues	385,336	385,336	385,336	385,336	385,336
17	Total Other Revenues and Income	\$1,486,337	\$1,486,337	\$1,486,337	\$1,486,337	\$1,486,337
18	Net Revenue Requirements	\$75,256,593	\$75,503,621	\$76,313,589	\$76,878,654	\$77,503,921
Revenue from Existing Rates						
19	Existing Rate Revenue (Including PCA)	\$78,954,566	\$79,349,275	\$79,746,058	\$80,144,766	\$80,545,547
20	Prior Year Rate Revenue Adjustments	0	(2,142,400)	(2,153,100)	(2,163,900)	(2,174,700)
21	Total Rate Revenue Before Current Year Adjustment	78,954,566	77,206,875	77,592,958	77,980,866	78,370,847
<u>Current Year Rate Adjustments - Step 1</u>						
22	Current Year Rate Revenue Adjustment Effective Month	0.0%	0.0%	0.0%	0.0%	0.0%
23	% of Current Year Effective	100.00%	100.00%	100.00%	100.00%	100.00%
24	Total Revenue from Current Year Adjustments	\$0	\$0	\$0	\$0	\$0
<u>Current Year Rate Adjustments - Step 2</u>						
25	Current Year Rate Revenue Adjustment Effective Month	-2.7%	0.0%	0.0%	0.0%	0.0%
26	% of Current Year Effective	50.00%	50.00%	50.00%	50.00%	50.00%
27	Total Revenue from Current Year Adjustments	(\$1,065,887)	\$0	\$0	\$0	\$0
28	Total Revenue from Rates	\$77,888,679	\$77,206,875	\$77,592,958	\$77,980,866	\$78,370,847
29	Revenue Surplus/(Deficiency)	\$2,632,087	\$1,703,254	\$1,279,369	\$1,102,212	\$866,927
30	Surplus/(Deficiency) - Percent of Rate Revenues	3.38%	2.21%	1.65%	1.41%	1.11%
Annualized Reduction		(\$2,131,773)				
Projected Sales - MWh		533,086				
Reduction per MWh - Calculated		(\$4.00)				
Reduction per MWh - Proposed		(\$4.00)				

Table 3
Fort Pierce Utilities Authority
Rate Sufficiency Analysis

Projected Water System Revenue Requirements and Rate Sufficiency

Line No.	Description	Projected Fiscal Year Ending September 30,				
		2011	2012	2013	2014	2015
	Operating Expenditures					
1	Projected Expenses at Adopted Fiscal Year 2011 Levels	\$9,961,085	\$10,138,464	\$10,414,323	\$10,701,134	\$10,999,536
2	Supplemental Budget Reductions (SLAs)	(106,810)	(278,180)	(317,069)	(349,943)	(375,932)
3	Total Operating Expenditures	\$9,854,275	\$9,860,284	\$10,097,254	\$10,351,191	\$10,623,604
	Other Revenue Requirements					
	Debt Service					
4	Existing Debt Service	\$2,102,023	\$2,101,248	\$2,102,447	\$2,101,502	\$2,100,939
5	Proposed Debt Service	0	0	0	0	0
6	Use of Capital Improvement Charges	0	0	0	0	0
7	Total Debt Service	\$2,102,023	\$2,101,248	\$2,102,447	\$2,101,502	\$2,100,939
8	Transfer to Renewals & Replacement Fund	\$0	\$0	\$0	\$0	\$0
9	Capital Funded from Rates	1,894,570	3,596,371	2,957,040	2,872,853	2,618,215
10	Capital Contingency Funded from Rates	0	0	0	0	0
11	Transfer - Distribution to the City	767,139	779,191	798,674	818,642	839,109
12	Temporary Use of Reserves to Fund Capital	0	0	0	0	0
13	Total Other Revenue Requirements	\$4,763,733	\$6,476,811	\$5,858,161	\$5,792,997	\$5,558,263
14	Gross Revenue Requirements	\$14,618,007	\$16,337,094	\$15,955,415	\$16,144,188	\$16,181,868
	Less Other Revenues and Income					
15	Other Operating Revenues	\$158,233	\$158,233	\$158,233	\$158,233	\$158,233
16	Non-operating Revenues	136,433	136,433	136,433	136,433	136,433
17	Total Other Revenues and Income	\$294,666	\$294,666	\$294,666	\$294,666	\$294,666
18	Net Revenue Requirements	\$14,323,341	\$16,042,428	\$15,660,749	\$15,849,522	\$15,887,202
	Revenue from Existing Rates					
19	Existing Rate Revenue	\$12,513,389	\$12,513,389	\$12,513,389	\$12,513,389	\$12,513,389
20	Prior Year Rate Revenue Adjustments	0	312,800	633,500	962,200	1,299,100
	Total Rate Revenue Before Current					
21	Year Adjustment	12,513,389	12,826,189	13,146,889	13,475,589	13,812,489
	<u>Current Year Rate Adjustments - Step 1</u>					
22	Current Year Rate Revenue Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
	Effective Month	Oct.	Oct.	Oct.	Oct.	Oct.
23	% of Current Year Effective	100.00%	100.00%	100.00%	100.00%	100.00%
24	Total Revenue from Current Year Adjustments	\$0	\$0	\$0	\$0	\$0
	<u>Current Year Rate Adjustments - Step 2</u>					
25	Current Year Rate Revenue Adjustment	2.5%	2.5%	2.5%	2.5%	2.5%
	Effective Month	Apr.	Apr.	Apr.	Apr.	Apr.
26	% of Current Year Effective	50.00%	50.00%	50.00%	50.00%	50.00%
27	Total Revenue from Current Year Adjustments	\$156,417	\$160,327	\$164,336	\$168,445	\$172,656
28	Total Revenue from Rates	\$12,669,806	\$12,986,516	\$13,311,225	\$13,644,034	\$13,985,145
29	Revenue Surplus/(Deficiency)	(\$1,653,535)	(\$3,055,912)	(\$2,349,523)	(\$2,205,488)	(\$1,902,057)
30	Surplus/(Deficiency) - Percent of Rate Revenues	-13.05%	-23.53%	-17.65%	-16.16%	-13.60%

Table 4
Fort Pierce Utilities Authority
Rate Sufficiency Analysis

Projected Wastewater System Revenue Requirements and Rate Sufficiency

Line No.	Description	Projected Fiscal Year Ending September 30,				
		2011	2012	2013	2014	2015
	Operating Expenditures					
1	Projected Expenses at Adopted Fiscal Year 2011 Levels	\$7,282,569	\$7,428,675	\$7,633,284	\$7,845,880	\$8,066,908
2	Supplemental Budget Reductions (SLAs)	(70,481)	(183,249)	(209,896)	(350,585)	(421,290)
3	Total Operating Expenditures	\$7,212,088	\$7,245,426	\$7,423,388	\$7,495,295	\$7,645,618
	Other Revenue Requirements					
	Debt Service					
4	Existing Debt Service	\$1,909,265	\$1,908,263	\$1,909,927	\$1,908,528	\$1,907,841
5	Proposed Debt Service	0	0	0	0	0
6	Use of Capital Improvement Charges	0	0	0	0	0
7	Total Debt Service	\$1,909,265	\$1,908,263	\$1,909,927	\$1,908,528	\$1,907,841
8	Transfer to Renewals & Replacement Fund	\$0	\$0	\$0	\$0	\$0
9	Capital Funded from Rates	2,363,704	2,295,819	2,432,393	2,370,759	3,003,829
10	Capital Contingency Funded from Rates	0	0	0	0	0
11	Transfer - Distribution to the City	650,110	669,492	686,229	703,385	720,972
12	Temporary Use of Reserves to Fund Capital	0	0	0	0	0
13	Total Other Revenue Requirements	\$4,923,079	\$4,873,574	\$5,028,549	\$4,982,672	\$5,632,641
14	Gross Revenue Requirements	\$12,135,167	\$12,119,000	\$12,451,937	\$12,477,967	\$13,278,259
	Less Other Revenues and Income					
15	Other Operating Revenues	\$139,523	\$139,523	\$139,523	\$139,523	\$139,523
16	Non-operating Revenues	104,569	104,569	104,569	104,569	104,569
17	Total Other Revenues and Income	\$244,092	\$244,092	\$244,092	\$244,092	\$244,092
18	Net Revenue Requirements	\$11,891,075	\$11,874,908	\$12,207,845	\$12,233,875	\$13,034,167
	Revenue from Existing Rates					
19	Existing Rate Revenue	\$10,751,646	\$10,751,646	\$10,751,646	\$10,751,646	\$10,751,646
20	Prior Year Rate Revenue Adjustments	0	268,800	544,300	826,700	1,116,200
	Total Rate Revenue Before Current					
21	Year Adjustment	10,751,646	11,020,446	11,295,946	11,578,346	11,867,846
	<u>Current Year Rate Adjustments - Step 1</u>					
22	Current Year Rate Revenue Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
	Effective Month	Oct.	Oct.	Oct.	Oct.	Oct.
23	% of Current Year Effective	100.00%	100.00%	100.00%	100.00%	100.00%
24	Total Revenue from Current Year Adjustments	\$0	\$0	\$0	\$0	\$0
	<u>Current Year Rate Adjustments - Step 2</u>					
25	Current Year Rate Revenue Adjustment	2.5%	2.5%	2.5%	2.5%	2.5%
	Effective Month	Apr.	Apr.	Apr.	Apr.	Apr.
26	% of Current Year Effective	50.00%	50.00%	50.00%	50.00%	50.00%
27	Total Revenue from Current Year Adjustments	\$134,396	\$137,756	\$141,199	\$144,729	\$148,348
28	Total Revenue from Rates	\$10,886,042	\$11,158,202	\$11,437,145	\$11,723,075	\$12,016,194
29	Revenue Surplus/(Deficiency)	(\$1,005,034)	(\$716,707)	(\$770,699)	(\$510,800)	(\$1,017,973)
30	Surplus/(Deficiency) - Percent of Rate Revenues	-9.23%	-6.42%	-6.74%	-4.36%	-8.47%

Table 5
Fort Pierce Utilities Authority
Rate Sufficiency Analysis

Projected Natural Gas System Revenue Requirements and Rate Sufficiency

Line No.	Description	Projected Fiscal Year Ending September 30,				
		2011	2012	2013	2014	2015
	Operating Expenditures					
1	Projected Expenses at Adopted Fiscal Year 2011 Levels	\$3,697,176	\$3,743,873	\$3,790,762	\$3,839,693	\$3,890,800
2	Supplemental Budget Reductions (SLAs)	(35,092)	(77,815)	(96,207)	(100,187)	(103,564)
3	Total Operating Expenditures	\$3,662,084	\$3,666,058	\$3,694,555	\$3,739,506	\$3,787,236
	Other Revenue Requirements					
	Debt Service					
4	Existing Debt Service	\$570,458	\$570,206	\$569,873	\$570,683	\$570,245
5	Proposed Debt Service	0	0	0	0	0
6	Use of Capital Improvement Charges	0	0	0	0	0
7	Total Debt Service	\$570,458	\$570,206	\$569,873	\$570,683	\$570,245
8	Transfer to Renewals & Replacement Fund	\$0	\$0	\$0	\$0	\$0
9	Capital Funded from Rates	292,949	312,138	304,043	325,745	326,374
10	Capital Contingency Funded from Rates	0	0	0	0	0
11	Transfer - Distribution to the City	198,395	206,816	211,986	217,286	222,717
12	Temporary Use of Reserves to Fund Capital	0	0	0	0	0
13	Total Other Revenue Requirements	\$1,061,802	\$1,089,160	\$1,085,902	\$1,113,715	\$1,119,336
14	Gross Revenue Requirements	\$4,723,886	\$4,755,218	\$4,780,457	\$4,853,221	\$4,906,572
	Less Other Revenues and Income					
15	Other Operating Revenues	\$89,536	\$89,536	\$89,536	\$89,536	\$89,536
16	Non-operating Revenues	48,840	48,840	48,840	48,840	48,840
17	Total Other Revenues and Income	\$138,376	\$138,376	\$138,376	\$138,376	\$138,376
18	Net Revenue Requirements	\$4,585,510	\$4,616,842	\$4,642,081	\$4,714,845	\$4,768,196
	Revenue from Existing Rates					
19	Existing Rate Revenue	\$4,332,200	\$4,332,200	\$4,332,200	\$4,332,200	\$4,332,200
20	Prior Year Rate Revenue Adjustments	0	108,300	219,300	333,100	449,700
	Total Rate Revenue Before Current					
21	Year Adjustment	4,332,200	4,440,500	4,551,500	4,665,300	4,781,900
	<u>Current Year Rate Adjustments - Step 1</u>					
22	Current Year Rate Revenue Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
	Effective Month	Oct.	Oct.	Oct.	Oct.	Oct.
23	% of Current Year Effective	100.00%	100.00%	100.00%	100.00%	100.00%
24	Total Revenue from Current Year Adjustments	\$0	\$0	\$0	\$0	\$0
	<u>Current Year Rate Adjustments - Step 2</u>					
25	Current Year Rate Revenue Adjustment	2.5%	2.5%	2.5%	2.5%	2.5%
	Effective Month	Apr.	Apr.	Apr.	Apr.	Apr.
26	% of Current Year Effective	50.00%	50.00%	50.00%	50.00%	50.00%
27	Total Revenue from Current Year Adjustments	\$54,153	\$55,506	\$56,894	\$58,316	\$59,774
28	Total Revenue from Rates	\$4,386,353	\$4,496,006	\$4,608,394	\$4,723,616	\$4,841,674
29	Revenue Surplus/(Deficiency)	(\$199,157)	(\$120,836)	(\$33,687)	\$8,772	\$73,478
30	Surplus/(Deficiency) - Percent of Rate Revenues	-4.54%	-2.69%	-0.73%	0.19%	1.52%

Table 6
Fort Pierce Utilities Authority
Rate Sufficiency Analysis

Existing to Proposed Residential Rates

<u>Description</u>	<u>Existing</u>	<u>Proposed Adjustment 05/01/2011</u>	<u>Proposed</u>	<u>% Change</u>
<u>Electric System</u>				
Customer Charge	\$6.01	\$0.00	\$6.01	0.0%
Energy Charges				
0-750 kWh	\$0.08722	(\$0.00400)	\$0.08322	(4.6%)
Above 750 kWh	\$0.09764	(\$0.00400)	\$0.09364	(4.1%)
Power Cost Adjustment				
All Usage	\$0.03800	\$0.0000000	\$0.03800	0.0%
<u>Water System</u>				
Customer Charge	\$19.95	\$0.50	\$20.45	2.5%
Volume Charges				
Minimum - 10,000 gallons	\$2.89	\$0.07	\$2.96	2.5%
10,000 - 15,000 gallons	\$3.60	\$0.09	\$3.69	2.5%
Over 15,000 gallons	\$4.33	\$0.11	\$4.44	2.5%
<u>Wastewater System</u>				
Customer Charge	\$14.00	\$0.35	\$14.35	2.5%
Volume Charges				
Minimum - 10,000 gallons	\$5.01	\$0.13	\$5.14	2.5%
Over 10,000 gallons	\$0.00	\$0.00	\$0.00	2.5%
<u>Natural Gas System</u>				
Customer Charge	\$12.02	\$0.30	\$12.32	2.5%
Commodity Charges				
0 - 100 ccf	\$1.2014	\$0.0300	\$1.2314	2.5%
101 - 500 ccf	\$0.7629	\$0.0191	\$0.7820	2.5%
501 - 2000 ccf	\$0.6968	\$0.0174	\$0.7142	2.5%
Over 2000 ccf	\$0.6487	\$0.0162	\$0.6649	2.5%
Purchased Gas Adjustment				
All Usage	\$0.3000	\$0.0000	\$0.3000	0.0%