MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, JANUARY 16, 2018, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman Daniel M. DeIulio; Secretary Michael A. Perri, Jr.; and Deputy Secretary Glynda Cavalcanti; Mayor Linda Hudson; and Linda Cox, Acting Ex-Officio Member/City Manager.

Excused - Vice Chairman Darryl Thomas-Bey.

Others present: John K. Tompeck, Director of Utilities; Rupert N. Koblegard, III, FPUA Attorney; Nina B. Penick, Director of Financial Services; Paul Jakubczak, Director of Electric & Gas Systems; Bowdoin G. Hutchinson, Director of Water/Wastewater Systems; and Lois A. Wolfe, Human Resources Manager.

The meeting was called to order by Chairman Daniel DeIulio.

Opening Prayer was by Larry Lammers of FPUA Electric & Gas Engineering.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

A motion was made by Ms. Cavalcanti, seconded by Mayor Hudson, and unanimously carried to approve the set agenda.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve the Minutes of the Regular Meeting of December 19, 2017.

Javy Cisneros presented Tom Richards the Florida Municipal Electric Association (FMEA) Honorary Membership Plaque. He said it was his pleasure to present the FMEA Honorary Membership to Tom Richards and he read the following paragraph from the nomination: "The undersigned members of the Florida Municipal Electric Association, Inc. join me in nominated Thomas W. Richards, P.E. for Honorary Membership in the Association. This nomination is submitted in accordance with the Association's bylaws and in full recognition of the criteria established for Honorary Membership. Tom served in numerous capacities at Fort Pierce Utilities Authority for 21 years, most notable in the role of Director of Electric & Gas Systems, during which time he repeatedly demonstrated dedication to public power deemed appropriate for recognition as an Honorary Member of this Association." Mr. Cisneros asked the Board to help him honor Tom Richards with this honorary membership.

Mr. Tompeck said Tom had a long and distinguished career here at FPUA where he served as the Director of Electric & Gas, among many other leadership duties. He represented FPUA on the FMPA Executive Committee and the Board, serving as Chairman on both of them. Most importantly, Tom was also a mentor to many of us, including myself, and his guidance and leadership were a terrific asset to our organization. On behalf of FPUA, Mr. Tompeck congratulated Tom on this honor.

Mr. Richards thanked everyone and said he appreciates the fact FPUA nominated him for this Honorary Membership in FMEA and it is always a pleasure and honor to be recognized by his peers. He said he has had a long career, he gave up his part time job at FMPA last year, and has had 50 years full time work in this industry. It is time to retire and he has retired. Mr. Richards said he really enjoyed his years at FPUA, it is a very well run organization and is very professionally managed. He said they take care of the customers in the most appropriate way with reliable and efficient service without any extra bells and whistles which is a very good thing to have. The predecessor and Board Members are really responsible for carrying out a good organization and it was a great place to work. Mr. Richards thanked FPUA and the Board for the honor and wished everyone the very best in all the years to come.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve the Consent Agenda items.

1. Excuse Darryl Bey from this meeting because he is out of town.

2. Ratify the payment to Lansing Board of Power & Light, of Lansing, Michigan in the amount of $110,296.61 for Mutual Aid assistance after Hurricane Irma.

3. POA 18-28: Approve the piggyback of Sarasota County Request for Proposal No. 142794LM and Contract with Evoqua Water Technologies LLC, of Pittsburgh, Pennsylvania, for hydrogen sulfide odor control materials and services in an amount not to exceed $180,000 annually. The Contract will be from January 1, 2018 to December 31, 2018, with four one-year renewal options, contingent on receiving required Certificate(s) of Insurance.

4. Approve Post Budgeted Project/Budget Request for Electric Vault Replacement at 2215 Nebraska Avenue in the amount of $62,200.

5. Bid No. 18-23: Approve the award of Bid and Contract for the purchase of and the training and supervision for the commissioning of one (1) three-phase solid Dielectric multiway switch with automatic transfer package with Consolidated Electrical Distributors, Inc. of Irving, Texas, in an amount not to exceed $105,538.64. This Contract will commence on written Notice to Proceed and end on September 30, 2018, contingent upon receipt of the required Certificate(s) of Insurance.

6. Bid No. 18-07: Approve award of bid and Contract for Water and Wastewater Plumbing Connections and Repairs, with CRS Plumbing, LLC (CRS), of Fort Pierce, Florida, in an amount not to exceed $25,000 annually, for the period of January 17, 2018 through January 16, 2019 with four one-year renewal options, which allows for price increases of up to 3% over the previous year's price.

7. POA 18-30: Approve the piggyback of the Town of Jupiter Invitation to Bid No. W1744F and Contract with American Water Chemicals Inc. (AWC), of Plant City, Florida, for the purchase of A-102 Plus Antiscalant, in an amount not to exceed $34,230 annually. The term of this Contract will be from February 1, 2018 to January 31, 2019, with four one-year renewal options.

8. Approve a Water and Wastewater Supply Agreement Amendment with Carriage Pointe Land Investors, LLC, of Denver, Colorado, contingent on receiving a statutory Statement of Authority.

9. POA 16-31: Approve the sole source purchase of Line Stop replacement parts and supplies, in an amount not to exceed $44,931, from Hydra-Stop LLC, of Burr Ridge, Illinois.

10. POA 18-12: Approve the piggyback of Brevard County Bid No. B-4-15-65 and Contract with Precision Contracting Services, Inc., of Jupiter, Florida, for Communications Infrastructure Unit Price Contract in an amount not to exceed $152,000 annually. The Contract will be from January 17, 2018 to January 16, 2019, with four one-year renewal options.

A letter was received from Reverend Todd Smith of Mustard Seed Ministries thanking FPUA for their support and donation of site prep, dumpsters, electrical, and water for their Annual Community Thanksgiving Feast.

An email was received from Pam Gillette of Main Street Fort Pierce thanking FPUA for their support of the 29th Annual Sights and Sounds on Second Festival and Parade, “Magical Musical Christmas”.

A letter was received from Catherine Fasano thanking FPUA and Eric Winterstein for the efficient and professional work at her home.

Eric Winterstein, Facilities and Fleet Superintendent, said he is bringing before the Board Requisition number 32049, the purchase of four compressed natural gas vehicles and two gasoline powered vehicles. He said these six vehicle purchases are the last purchases for FY 2018. The four natural gas Ford F-150 bi-fuel vehicles cost $184,489.50 and the two gasoline powered

Ford F-350 cost $88,024.06. The purchase is through the National Joint Powers Alliance (NJPA). The local Ford and Chevrolet dealerships were given a list of all the vehicles FPUA was going to procure for FY 2018. The Ford Dealership was given the list on July 17, 2017 and the local Chevrolet Dealership was given the list on October 23, 2017. Owen Dennis, FPUA's Fleet Manager made a personal appearance with the list and they have not responded and Mr. Winterstein said he thinks this may be out of their realm. He does not think they can compete with the high volume dealerships. The vehicles to be replaced by the 4 CNG vehicles had the following mileage on them as of 1/12/2018, Water/Wastewater Engineering's 2004 GMC ½ ton pickup had over 95,885 miles, and repair costs less than a $1,000 in FY 2017 at the time of the capital budget meetings. Water Distribution's 2000 Chevrolet ½ ton pickup had over 120,960 miles and was in poor condition with repair costs of $2,900 in FY 2017. Electric and Gas Engineering's Ford F-150 ½ ton pickup had 72,816 miles and was in poor condition. The Department is requesting a 4-wheel drive for accessibility. Electric Operations' 2004 F-250 has 101,839 miles and is in poor condition with around $1,000 in repair costs for FY 2017. Mr. Winterstein said the four bi-fuel vehicles will be joining the one natural gas vehicle that was procured in 2017 for the Gas Department and the other two natural gas vehicles that the Board approved the purchase of on 11/7/2017. One of these from the 2017 approval is an F-150 and its destination is Water Resources. The other Ford F-250 was destined for the Gas Department, but had not come in yet. These vehicles were ordered on 11/9/2017. The Ford F-350s will be replacing vehicles that have 124,810 and 153,000 miles on them. The repairs for the vehicles were $3,251 and $4,361 in FY 2017. The natural gas vehicles FPUA is procuring are bi-fuel and the term in natural gas jargon, means the vehicle can be fueled with natural gas or gasoline. The term dual fuel is used for vehicles that are diesel and natural gas. The last term is dedicated and these vehicles are strictly natural gas. Compressed natural gas is considered an alternative fuel under the Energy Policy Act of 1992. Natural gas is environmentally friendly and is the cleanest burning transportation fuel on the market today, producing 20-30% fewer greenhouse gas emissions and 95% fewer tailpipe emissions. These bi-fuel vehicles in a hurricane situation or fuel shortage can be fueled with natural gas or gasoline. Mr. Winterstein said the plan is once the natural gas station is set up at the Energy Services Center, it will fuel the vehicles with natural gas. He said if we get a potential customer at least we have a history with natural gas powered vehicles. The expected fuel cost for natural gas vehicles is 63% of what gasoline costs, so over the lifetime of a natural gas vehicle using today's figures, FPUA will be paying 36% less for fuel. He used the last procurement of January 9 where we paid $2.19 a gallon for gasoline and now on the street it is $2.55 so the savings would go up. To fuel the vehicles with natural gas, the equivalent of what a gallon of gas would be eight or nine miles per gallon is a therm and a quarter and that costs $.70. By the time it is delivered through the natural gas compressor into the vehicle, he figures it is about $1.40 and that is still 63% of the cost on the street. Natural gas performance advantages are that it is superior to petroleum-based products because natural gas has an octane rating of 130, less knocking, no vapor locking, and since natural gas is already in a gaseous state superior starting under serve cold or hot weather conditions. It does not contain lead, so spark plug life is extended because there is no fouling. Compressed natural gas does not dilute or contaminate crankcase oil and intervals between oil changes and tune ups are extended. Mr. Owen contacted

the Fleet Manager at Waste Pro and they have 50 vehicles they use natural gas in and they have changed their maintenance from a 250 hours of changing oil to changing the oil every 450 hours in their vehicles that are using compressed natural gas. Mr. Winterstein said pipes and mufflers last longer because compressed natural gas does not react to metals. He said all of this reduces maintenance costs while extending the overall life of the engine. Training for FPUA's mechanics to service and repair these vehicles is done by the Ford Motor Company. When we get the other two vehicles, we will contact them and they will come out to our automotive garage at the Energy Services Center and train our two mechanics there on how to work on these vehicles.

Ms. Cavalcanti said she understands all the benefits of the natural gas and thinks that is a great thing. She said the miles seem awfully low on the vehicles that we are getting rid of and she is comparing it. She does a lot of ranchers and grove owners that have those big F250s and F350s and knows they get a lot more miles and she asked what the difference is.

Mr. Winterstein said when the vehicles are in the grove they probably shut them off when they are working. He said our vehicles might spend a lot more idle time and from his understanding idling on the motor is worse than driving it down the road. Some of the vehicles are worked harder. There is one there with 70,000 miles on it for the engineering folks, which is the third passing down to them.

Ms. Cavalcanti said she knows they pull big trailers with cattle in them and that is the only question she has.

Mr. Winterstein said the one with 72,816 and most of the others are right up there at 100,000 miles.

Ms. Cavalcanti said she thought they last for 100,000 or 200,000 miles.

Mr. Winterstein said that might be a diesel and they still have things wear out. He said in this case for our reliability it is better to replace them.

Mayor Hudson asked if these were the first ones we are buying.

Mr. Winterstein said no that one was bought in 2017 that the Gas Department has and on November 7th, the Board approved the purchase of two other ones. He said we will have those three and these four so we will have seven in the fleet.

Mayor Hudson said Mr. Winterstein said Waste Pro has had good experience with these.

Mr. Winterstein said yes.

Mayor Hudson asked if with mileage as well as maintenance.

Mr. Winterstein said those are the dump trucks and garbage trucks they run out there. He said he does not think they are running any faster than 30 miles per hour and they seem to be holding up when he talked to them.

Ms. Cavalcanti asked if you were to trade these in rather than sell them at auction did they give a value on them.

Mr. Winterstein asked if she was talking about the natural gas vehicles.

Ms. Cavalcanti said the ones we have got here.

Mr. Winterstein said the ones he is replacing he has not asked them a trade in price or anything.

Ms. Cavalcanti said she was wondering and asked if they are coming out of the middle of the state.

Mr. Winterstein said it is Sebring.

Ms. Cavalcanti said it seems to her that a lot of ranchers and grove owners that may really like those vehicles with the low mileage.

Mr. Winterstein said he does not have a problem approaching them because he thinks it did say on the bottom of their estimate that trade-ins are welcome.

Ms. Cavalcanti said she would like to see that.

Mr. Winterstein said they do pretty well at the auction. He said they build it up enough that they do get good clientele and they pay pretty well. He does not have a problem reaching out to these people to see what they would give us for these vehicles. This day and age it is easy with putting a picture and maintenance record out there.

Mr. DeIulio said he thinks another advantage is natural gas is produce in the United States.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti and she asked Mr. Winterstein to check on the trade in and get back to the Board. The motion was unanimously carried to approve POA No. 18-19: The purchase of two (2) 2018 Ford F-350 Regular Cab XL 4wd trucks, each in the amount of $44,012.30, two (2) 2018 Ford F-150 Super Cab XL 4wd Bi-Fuel CNG trucks, each in the amount of $43,885.50, a 2018 Ford F-150 Super Cab XL 4wd Bi-Fuel CNG truck in the amount of $47,552.50, and a 2018 Ford F-150 Crew Cab XLT 4wd Bi-Fuel CNG truck in the amount of $49,226.00, from Alan Jay Ford Lincoln Mercury, Inc., of Sebring, Florida, and the purchase of a 2018 GMC Sierra 3500 Crew Cab 4WD Diesel Fuel truck in the amount of $39,296.00

from Alan Jay Chevrolet-Cadillac, Inc. dba Alan Jay Chevrolet Buick GMC, of Sebring, Florida, totaling $311,870.10, under the National Joint Powers Alliance (NJPA) Contract No. 2018-120716-NAF.

Mr. Tompeck said the next item is an information only presentation. He said there has been some discussions about Guaranteed Revenue Charges and Capacity Reduction Options and he thinks it has made everybody a little bit crazy. We are going to try and go through it from scratch to see if we can clear up the confusion.

Bo Hutchinson, Director of Water & Wastewater Systems, did a presentation on the Guaranteed Revenue Charges (GRC) and Capacity Reduction Option (CRO). He said he will go through a little bit of history of the GRC and CRO and will touch on a few of the fees FPUA has. He will also talk about a few developments that are up and coming that we have been successful with and said he stuck in a shameless commercial. An overview of our charges, first is the Impact Fees are charged up front whenever a developer first comes and locks down their capacity for the development. The easiest way to think of a Capacity Improvement Charge (CIC) is to think of it as a mandatory pay it forward program. The particular developer we are talking to is connecting to utilities that were funded by other Capital Improvement Charges before he got there. His CIC charges would allow us to keep expanding the system right on down the road and make it available for the next development. The Accrued Revenue Charges (AGRC) are not in affect right now with FPUA and these would also be charged up front and at the same time the CIC would be due. These are typically designed to cover the cost of a particular project and in our case when we had these it went towards funding the new wastewater plant. The Guaranteed Revenue Charge (GRC) has two parts. The first part is the base monthly charge, which is the cost to FPUA to maintain the utilities underground even without any kind of usage. It is basically a base charge and the other side of it is it allows the developer to hold his capacity he has already purchased with the capacity charges they are already on. The Monthly Base Charge and Usage Charge are the basis for the water and wastewater bills. Mr. Hutchinson said the history of the GRC is back in 2004 there was the “building boom” years, the GRCs were implement by Resolution 2004-13. He said they were originally implemented at $80.04 for water and $105.60 for wastewater. At that particular time, the CICs were $1,605 for water and $1,447 for wastewater. This was about the time when every piece of property in our service territory was being looked at. In the engineering group, each engineer had a stack of folders on their desk to help people do their due diligence on the properties and there was major concern about the amount of capacity we had, it was flying off the shelf. In 2007 was when we were neck deep in it and we will call these the “building years”. The GRCs were raised with Resolution 2006-10 to $105.24 for the water and $160.92 for the wastewater and the CICs went up to $1,841 for water and $2,815 for wastewater. The wastewater CICs were almost double at that particular time. The AGRCs were implemented in 2007 and ran through 2012. This was a graduated program and was very cumbersome to calculate. If you bought your capacity on the first month of this, it would cost an additional $8.77 per water ERC and an additional $13.41 per wastewater. Whereas if you bought it at the very

end in 2012, you would have to tack on an additional $526 to the water side and a little over $800 on the wastewater side. That was the direct result of the expansions that were happening and the wastewater was the major part of that. At this time particular time, FPUA had sold enough capacity that we were getting very close to 80% of our committed utilization of our wastewater plant. That is the point where the State mandates FPUA has to start looking for other alternatives, expanding the existing plant which politically was not a very good move, so we started looking at the new plant out west. In 2009 the "bubble burst" and we implemented the CRO option to help with that was Resolution 2009-11. The question you might ask is what happened to the money that was brought in at that time. The wastewater portion of it was used for the following: purchased the property for the new MWRF site for $1.1 million, purchased the property for the master repump station that was near the corner of Orange Avenue and Jenkins for $.5 million, constructed both deep injection wells needed for the new plant and also to support the FMPA power plant for $12.5 million, did all the engineering for the new plant for $2.2 million, constructed significant portions of the 24" force main along Jenkins Road and there were many other improvements throughout the city that were done there as well, but were not 100% for the new plant so they were not included in this list, for $1.8 million, and all of the wastewater infrastructure that has been constructed since around 2004 era has been designed to be swapped to be able to use it in the other direction when we go towards the new plant. The total investment on the wastewater side for that one particular endeavor was around of $18 million. Mr. Hutchinson said getting back to the Capacity Reduction Option, at this particular time when these were implemented, there were very few developments that had paid their GRCs. He said there were many who simply could not pay, there were other developments that were bankrupt, some of the properties had gone back to the bank, and some FPUA was sending bills to empty post office boxes. The bills were not getting paid. We had a few options we looked at and the first and most obvious was to cancel the agreements for nonpayment. This is pretty negative because FPUA will lose those utility assets. Those developers had put in millions of dollars of infrastructure into these developments and if you were to lose the entitlement and lose the ability to develop that in the future, it goes back to the bank and they have to completely start from scratch. Now do we not only have a loss of those assets, they are still connected to our utility system, and they would then become a liability on our part. The development would lose its most important entitlement which is the availability of the utility. There is a portion of the CICs that would need to go back to the development and this poses another interesting topic. The developer we signed the agreement with is gone and the Supply Agreements run with the land so that means it would go back to the bank and that would be another chunk of $1 million that would go away with no value to our community. We would have lost all the value of the utility and the value of the entitlements that are already invested in those particular locations. Mr. Hutchinson said FPUA's solution is to use the value of their capacity to pay their GRC debts and then keep the agreements active and this is what we call the Capacity Reduction Option (CRO). This works out well for us and the developers. The development itself is able to maintain their entitlements to promote rapid regrowth and four out of the five we have successfully been able to get them rolling as far as the utilities go within one year. That is a very significant achievement in Mr. Hutchinson's mind and there is one we are working on now. This also allowed

the development to maintain enough capacity to restart with no cash outlay for CICs and as part of that when the capacity they already have was expended, at that point they would just go on what we call "pay as you go". A developer buys the land, he trades all the entitlements, puts all the roads, drainage, and utilities in, and the lot is ready to be sold to a builder to build a home. They will package them up in lots of 20 or 100 or whatever the builder wants and sell them to the builder. If that piece of entitled dirt is worth $20,000, if you have to tack on another $4,000 onto the $20,000 that is a pretty steep percentage there, about a 20% increase in the cost of that particular product at that stage. If you can wait until the development has gone vertical to pay for those fees, now the home is worth $200,000 and with the $4,000, you are down to 2% add on to it as opposed to the original 20%. They can tuck it into their mortgage and it takes the heat off the developer at that point and allows it to show up later on at the end. For FPUA this satisfies our GRC debt that would otherwise be uncollected and that certainly made our Finance folks very happy. We are able to get the meters turning sooner, which makes everybody at FPUA and our ratepayers happier. It provides an excellent annexation opportunity to grow the City of Fort Pierce, it is developer friendly, and the developer is happy. Mr. Hutchinson said he is going to go through an example of the capacity reduction. He said this is the simplest, cleanest case and he is just going to talk about the water. Our development "Customer x" needs 100 ERCs, he wants to build 100 home developments for his development. At that particular time the CICs were $1,841 per ERC, which means the value of his water entitlement is about $184,000. A year goes by and the developer has not constructed any home, so we do a calculation and he gets a bill for $10,524 for his water GRCs. The developer for some reason things are not going well and he does not want to pay those, but he has another option and that is where we use the Reduction Capacity Option. We take the amount he owes us and convert that back into ERCs, just like you are buying chips at a poker table. We will take his $10,524 and divide it by the amount he paid for his CICs because they change and it is important to keep it consistent with what they paid at the time of their Supply Agreement. That comes out to 5.72 ERCs he would owe us at that point. We take that 5.72 ERCs off his original 100 ERCs and he ends up with about 94 ERCs remaining and the cycle continues. He is now being billed for 100 ERCs, but his capacity has been reduced so his bill goes down a little bit lower to a little less than $10,000 at that particular point. This can go on for a quite a while. Mr. Hutchinson said the other important part here is the whole time the Supply Agreement is alive, even though it needs to be doctored up when the developers come back, that entitlement stays in place. He said they do not have to go back, they do not have to produce new engineer plans, but the permits may have to be updated. They do not have to go through our process again so that is how we are able to get them from something that looks like a cow pasture to something they can actually sell and start to grow our community a lot faster.

Mr. DeIulio asked if these entitlements are transferable.

Mr. Hutchinson said they stay with the land. He said this example was a simplification, which it is, the value/cost of the GRCs changed at one point in history and they are probably going to change again. On some of the spread sheets, if anyone was noticing with the different

developments, the numbers changed. All it does is change how many chips come off the backside. There are other ones that made a few payments on their GRCs, some of them at random times, three years later they decide to make a payment, and there were other ones that there was FPUA contributions where we owed them for offsite improvements. They owed us GRCs and we owed them for the upsizing so we worked those into it as well. The Carriage Pointe that was approved earlier had that with a credit for offsite improvements. There are all these little personalities as our Finance Director calls them to these different developments. Mr. Hutchinson displayed what he calls the big five developments, all the ones that were able to benefit from the Capacity Reduction Option. He said the top four have already been approved within the last year. We are currently working with Celebration Point and they have a few challenges there that the other developers did not. We are working with them to see what we can do to get them moving as quickly as we can again. The number on the left is how many ERCs these developments have left and the number on the right is not necessarily the number they started with, but he wanted to put the size of these developments up there to demonstrate to the Board and the public that the growth is coming back over the next five years and what their upgrades happen to be, this is what we can expect out of these different developments. Moving forward, Mr. Hutchinson said FPUA is at another turning point and displayed what he calls our business history. He said staff is looking at our CICs and GRCs again with our consultant, Public Resources Management Group, currently updating Resolution 2015-3, which is the last one that states all of these charges, and we are looking at some different options to provide a little bit more flexibility in that resolution that will give staff and the Board the ability to adjust to market conditions and potentially be able to capture some of these larger commercial customers such as the ones we hear about coming in through the Economic Development Council. There are many other opportunities we would like to be able to make adjustments that are good for the community, good for FPUA, and be able to try to capture some of that growth.

Mayor Hudson asked if impact fees are in addition to GRCs

Mr. Hutchinson said impact fees are paid in the beginning. He said that is an upfront charge whenever they purchase the capacity. The GRCs start a year after the Supply Agreement and then those continue forever as long as they want to keep their capacity.

Mayor Hudson asked where the CICs come in and asked if they are the same as the GRCs.

Mr. Hutchinson said what he is calling the CICs is the impact fees and those are the upfront charges and the GRCs start a year after the Supply Agreement has been approved and they run as long as they want to pay them or until they finish their construction, the meter goes in, and then they pay their utility bill.

Barbara Mika, Finance Controller, presented the monthly update on the Electric Rate Comparison and the local bill comparisons for the month of November 2017. She said before the meeting

began Mrs. Mazzarella handed the Board a replacement page for one that was in the packet. The change on that page was with the comparison from the October to November and it was just on the non-ARP cities where there was an error. The first graph displays the comparison of Florida Residential Electric Rates for the month of November for the 33 municipal utilities that operate in the State of Florida. Thirteen of these municipal utilities, including FPUA, are members of the "All-Requirements Project". In this graph they are all highlighted in red excepting FPUA which is shown in yellow. As a member of the All-Requirements Power supply project, FPUA is afforded lower costs and lower risk working together with this group of municipal utilities. The Florida Municipal Electric Association compiles these billing rates, each month, from the utilities around the state. The graph shows all municipal electric bills in the State of Florida for the average residential usage of 1,000kWh. FPUA's November bill for 1,000kWh of consumption at $120.84, remains unchanged from previous months. FPUA's positon in this graph also remains unchanged since the October comparison. A few items on the billing rate changes that have occurred since October is of the 33 municipal utilities, there were 12 that experienced rate changes since October. The rate changes for the All Requirements Participants amounted to an increase of $7.64. This impacted the average rate for the All Requirements Participants with an increase of $0.59, but with no rate change for FPUA, this brings us closer to the average now only $3.82 away. Mrs. Mika said the impact of the additional $2.00 decrease in fuel costs in December will narrow that gap further. She said there were two main contributors to the overall rate increase, both were ARP participants, the City of Newberry and Starke who had rate increases that were significant. The November bill for FPUA at $120.84, is lower than the average for the Investor Owned Utilities by better than $6.00. The next graph displays a similar comparison for usage of 2,500kWh. In this comparison, FPUA's November bill remains steady at $304.80 with no rate increases this month. We have also maintained our standing since October in the 9th position from the right. FPUA's billing for the 2,500kWh for November falls below that of the IOU average by $21.75 for the same consumption. The November comparison of local Treasure Coast residential utility bills and included in this comparison are the of total utility bills that an average residential customer would have experienced if they resided in the cities of Fort Pierce, Port St. Lucie, or Vero Beach, or if they lived in the area serviced by the County Utility Services of St. Lucie County or Martin County. The bill totals in this table include all of the taxes and fees that would be applicable in each of these municipalities. Staff has verified the calculation of these averages with actual bills or rate schedules. Since this comparison was last presented there were no changes to any of the electric service billings. On the water and wastewater billings, Port St Lucie is showing a full month with the 2% increase in water and wastewater. The City of Vero Beach made a slight decrease in their water and wastewater service charges. Of the three St Lucie County municipalities in this comparison, Fort Pierce, Port St. Lucie, and St. Lucie County Utilities, FPUA's current overall bill for all three services remains the lowest. The last table has a more detailed comparison of these local residential bills with, a breakdown of the fees for services, taxes and other charges to the customers in these different service territories. This item is for information only and requires no action on your part.

Mr. Tompeck said the next item is the Power Cost Adjustment (PCA) and also a recommendation to decrease the PCA by $2.00.

Nina Penick, Director of Financial Services, presented the status report on the Electric Power Cost Adjustment (PCA) for the month of December 2017 and updated projections through December 2018. She said the PCA is the mechanism by which FPUA recovers the power costs from our customers that is in excess of the $79.52 base power cost, which is included in the base rate. The cost of power purchased from Florida Municipal Power Agency (FMPA) for the month of November was billed to FPUA at the rate of $69.58 for 1,000kWh, an increase of $0.63 as compared to November. Because FPUA recovered $81.52 for the same period, FPUA over recovered $536,810 from our customers for the month of December. Therefore the cumulative over recovery was $4,467,087 as of December 31, 2017. Mrs. Penick said the next graph depicts two PCA options. She said the graph up on the top each line represents what the over recovery would be if the projections are correct. The projections shown are prepared by Public Resources Management Group (PRMG), which in turn are based on projections prepared by FMPA. Since last months' forecast, FMPA's estimate of the price of purchased power for the upcoming 12 months increased 3%; however, due to the cumulative over-recovery from FPUA's customers, a decrease to the PCA of $2 per 1,000kWh is recommended at this time. That is depicted by the green line in the chart. An option to not change the PCA has also being presented for the Board's information and that is the red line on the graph. The no change option is not being recommended at this time because as a result it would then be projected to result in an over-recovery of approximately $5 million at the end of the upcoming 12 months. That is above the blue dotted lines representing the Board's recommended over-recovery top limit of $4 million. Staff is recommending a decrease to the PCA of $2 per 1,000kWh, from $2 to $0 per 1,000kWh, effective February 1, 2018.

Ms. Cavalcanti asked what would happen if we did nothing now and reduced it by $3 or $4 in June.

Mrs. Penick said that would be another option.

Ms. Cavalcanti said for the three months June, July, and August maybe $1.

Mrs. Penick said it would go down to about midway down the chart, the no change, and it would be a higher over-recovery. She said it is possible it could bring it substantially lower, but as we are aware, the facts and circumstances change every month. It is very possible we may be able to lower it another dollar or multiple dollars, or possibly not at all, but she is hoping that is not the case. This rate stabilization fund that was put in place a couple of months ago, if it is the Board's desire, we could allow the over-recovery to dip lower. If we allow it to dip lower and go below the $1 million minimum, we would have the rate stabilization fund available.

Ms. Cavalcanti said on the over-collection of $4 million now, she asked if the rate stabilization fund is in addition to the $4 million.

Mrs. Penick said it is in addition, we are only going to use the rate stabilization fund if the Board votes to utilize it and add it in at that time. She said that is why she created it in a completely separate area so we do not forget it is there.

Mr. DeIulio said theoretically, we could apply some of the rate stabilization fund in a future period when we are reducing the rate.

Mrs. Penick said yes, but she thinks this rate stabilization fund was intended for PCA only and not for the actual rates themselves.

Mr. DeIulio said he means for the PCA, you could come to the Board a couple of months from now to reduce the rate $2 more, but because it is going to throw us under the $1 million estimate, we could apply the rate stabilization rate to it.

Mrs. Penick said yes, if that is the Board's desire. She thought the original premise was that it would be if it were to dip before the $1 million, we would not have to have a knee jerk reaction and raise it up right away. We might be able to hold the line for a longer period of time and give the gas prices an opportunity to recover rather than having to make an adjustment to the PCA as soon as we fall below the $1 million.

Mr. Tompeck said he thinks that really was our purpose here, it was to protect us here at the top end as opposed to the bottom end.

Mr. DeIulio asked if that is what is being brought to the Board today is mostly to protect us from the top because if we do not make the adjustment, we are going to way above the $4 million.

Mrs. Penick said that is correct and we would like to give back now that we can. She said it is still going to be fairly flat for the next couple of months because consumption is lower in the winter. The impact will be less to the customers and to FPUA for the next couple of months, but once we start getting into those warmer months and consumption and prices increase, that is when we will see some changes.

Mr. Tompeck said one of the other things we talked about a month or so ago, we were looking to be a little more conservative and see what happens with the weather. He said even though the weather has been abominable, the gas prices have not jumped up as much as one would expect they would have. He feels a little bit more comfortable we are not over reaching here.

A motion was made by Mayor Hudson to approve a decrease to the Power Cost Adjustment of $2 per 1,000kWh, from $2 to $0 per 1,000kWh, effective February 1, 2018, Mr. DeIulio handed

the gavel over to Mayor Hudson and seconded the motion. Those voting approval of the motion were: Mr. Perri, Mayor Hudson, and Mr. DeIulio. Ms. Cavalcanti voted no. Motion was carried.

Mayor Hudson handled the gavel back to Mr. DeIulio.

Mrs. Penick said she does not have an exciting presentation for Resolution No. UA 2018-1. She said it is basically a house keeping item and we do not even have a real resolution to read like we normally do with most of our resolutions. We renewed one of our CDs and we need to update the signatures on the signature cards as well as the resolution to reflect the changes in personnel. That is really all this is about.

A motion was made by Ms. Cavalcanti and Mayor Hudson seconded to adopt Resolution No. UA 2018-01, the Deposit Resolution with Harbor Community Bank, of Indiantown, Florida.

Mayor Hudson said this bank is now Center State.

Mrs. Penick said not quite yet, they are in the process. She said she called them today and they are still answering the phone as Harbor Community. They are going to be able to process this paper work in the name of Harbor Community and she does not know when it is actually going to be Center State. They do not know exactly when it will be, but she got the impression it would be during the month of January.

Mayor Hudson said then we would have to do this paper work again.

Mrs. Penick said it is hard to say what the new bank will require, it is possible they will require it again. She said that is not what happened with Riverside and TD, but who knows.

The motion was unanimously approved.

Mr. Tompeck said we have received the asset purchase agreement from FPL for the 138kv transmission line that is jointly owned by FPUA and City of Vero Beach. He said he met with FPL last week and most of our comments have been resolved in that meeting that included not only our technical people, but Mr. Koblegard and Jody Finklea from FMPA. We hope to resolve the balance of the comments and bring the agreement to the February 6 Board meeting. Assuming we can bring the asset purchase agreement on February 6, we will also bring the FPL/Vero Beach sale documents for approval at that time. We have been holding them until the asset purchase agreement has been approved. Twelve of the 19 ARP Members have already approved the sale documents. Mr. Tompeck said he is meeting with Mark McCain from FMPA tomorrow morning to work on and finalize the strategic planning agenda. He had a discussion last week with Mr. Mimms saying he has received information that we should receive the King Plant SRCO with

conditions from the DEP by the end of January. Mr. Tompeck said he will believe it when he sees it since it has been almost a year. The Charter Review Commission meeting is next Tuesday at 4:00 p.m., 2nd floor Conference Room, City Hall. The last item is something Mayor Hudson brought up at the last meeting about the Constitution Review Commission in Tallahassee. The General Provision Committee is looking at Proposal Number 51 which is an addition, new section to the Constitution on de-regulation of electric. Mr. Tompeck said he does not know a lot about it, but the General Provision Committee voted it down with two yeas and five nays. He said apparently it does not mean it is dead, it can go through to the full committee at some point and time, but that is where it stands right now.

Attorney Koblegard said he assumes everybody got the copy of the letter he received from Brad Culverhouse relating to Clay Lindstrom. He is reviewing some of the comments he made and thought about having an Out of the Sunshine meeting, but does not believe we qualify. Really what he is raising is a new issue for damages and Attorney Koblegard said he does not think until you are in court on that we can have an Out of the Sunshine meeting. We can meet on the Certiorari issue, but it is on hold right now because of his health. Mr. Culverhouse talked about Federal Legislation and other issues where they can bring these claims for damages against the Utility Authority. Attorney Koblegard said he is not aware of any such code or Statute. However, anyone can sue, but that does not mean you are going to win. Suing and winning are sometimes way apart. After looking at it a little bit more, maybe he can bring it back to this Board at a regular meeting or the next meeting to discuss to see your thoughts on how he should respond.

Mayor Hudson asked if the letter is a demand letter and not a lawsuit.

Attorney Koblegard said that is correct, he is just saying without going to court if we pay the $300,000 or $350,000, they will settle with FPUA and that will be the end of it. He said as of today, that is a bad deal for FPUA in his opinion, but he does think we need to think about it some more. He is going to run it by the Florida League of Cities because he thinks they would be paying it if we went to court and lost, but he wants to be sure on that.

Mayor Hudson said her follow up question would be since it is not a lawsuit that is probably why we cannot have an Out of the Sunshine meeting.

Attorney Koblegard said we could under the Certiorari because we are in court on that. He does talk about that maybe he is owed more money on his severance pay, but that is not enough to have a meeting Out of the Sunshine Law, in his opinion.

Mr. Perri said Bo's presentation indicated we spent about $18 million towards moving the wastewater plant. He thinks as this point and time, FPUA is the only one that has contributed

anything to it and he would just like that known. We are constantly thinking about and contributing to moving the wastewater plant.

Mayor Hudson said that was a good point.

Mr. Tompeck said, if he is not mistaken he believes that was included in the presentation that went to the Charter Review Commission, so that is part of that presentation. He said they will know about it.

There being no further business, the meeting was adjourned.

ATTEST:

_____ _____

SECRETARY CHAIRMAN