MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, JUNE 7, 2016 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman Michael A. Perri, Jr.; Vice Chairman Glynda Cavalcanti; Secretary Daniel M. Delulio; Deputy Secretary Darryl Thomas-Bey; Mayor Linda Hudson; and Nick Mimms, Ex-Officio Member/City Manager.

Others present: Clayton W. Lindstrom, Director of Utilities; Rupert N. Koblegard, III, FPUA Attorney; Nina Penick, Director of Financial Services; Paul Jakubczak, Director of Electric & Gas Systems; Timothy E. Perkins, Director of Water/Wastewater Systems; and Jason Hoffman, Communications/ Customer Service Manager.

The meeting was called to order by Chairman Perri.

Opening Prayer by Florinda Mazzarella.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Mr. Perri asked to set the agenda.

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

A motion was made by Ms. Cavalcanti, seconded by Mayor Hudson, and unanimously carried to approve the May 3, 2016 minutes.

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve the Consent Agenda.

1. POA 14-53: Approve Specific Authorization No. GT-16-05 with Globaltech, Inc., of Boca Raton, Florida in the amount of $199,867.73 for Replacement of the Water Treatment Plant Master Meter and 12-inch water main extension.

2. POA 14-53: Approve: a) the Post-Budgeted Project/Budget Request in the amount of $35,000 and b) Specific Authorization KH 16-02 with Kimley-Horn and Associates, Inc., of Cary, North Carolina, in the amount of $29,900 to perform Operational Updates to the Island Water Reclamation Facility Deep Injection Well and Lift Station A Pump Control Systems.

3. POA 14-53: Approve Specific Authorization No. CHE 16-01 with CH2M Hill Engineers, Inc., of Englewood, Colorado, in the amount of $50,712 for preparation of State Revolving Loan fund applications for three water and wastewater replacement projects.

4. Approve the purchase of 4" yellow gas pipe in the amount of $27,144 from Chris George Sales Inc. of Knoxville, Tennessee.

5. POA 13-60: Approve Amendment 3 to the Natural Gas Services Contract with Mears Construction of GA, LLC of Ypsilanti, Michigan to increase the not-to-exceed contract amount from $80,000 to $110,000 annually.

6. Bid No. 16-23: Approve award of bid and Contract for the purchase of Emulsified Cationic Polymer from Sterling Water Technologies LLC of Croydon, Pennsylvania in an amount not to exceed $60,000 annually. The initial term of this Contract will be from June 8, 2016 to June 7, 2018 with three one-year renewal options, contingent on receiving the required Certificate(s) of Insurance.

A letter was received from Joshua Allen who is stationed in Afghanistan while serving in the U.S. Army. He thanked Shari Franco of Human Resources and FPUA employees for the care package.

John Tompeck, Gas OPS & Energy Services Manager, presented the Interlocal Agreement with Florida Gas Utility and the City of Sunrise. He said staff is requesting approval of the amended interlocal agreement with Florida Gas utility and the City of Sunrise for natural gas pipeline capacity. The amended interlocal adjusts pipeline capacity needed from the City of Sunrise. Back in 2012, the original interlocal agreement was approved. This agreement provided FPUA with pipeline capacity needed for our contract customer, Waste Pro, in the amount of 300 Dth/day at the maximum tariff rate for January through December, each year. Earlier this year, Florida Gas Transmission (FGT) settled a rate case which will increase the price for gas transportation. As an off-shoot of the rate case and the increased cost of transportation, some utilities with excess capacity decided to turn back capacity to FGT, who in turn, made that capacity available to other stakeholders on their system such as FPUA. FPUA decided in March to take advantage of the available capacity. However, the available capacity was only in the November to March time period. As a result, we don't need Sunrise's capacity for November through March, but still need their capacity from April through October. This necessitated an amendment to the interlocal which includes the following changes: deletion of Sunrise capacity from November through March, extension of the agreement to October 2020 in which the original agreement was set to expire in July, 2017, slight change to the termination language to 180-day written notice, which was previously 90 days, and the pricing has been changed from the maximum tariff rate to maximum tariff rate not to exceed two times the maximum tariff rate. This provision was added to be sure Sunrise would not take a severe loss in the case of "gas alert days" when the cost of capacity could potentially be much more than the maximum tariff rate. They are expecting there

will be a lot of gas alert days in Southern Florida this summer because FPL put a new plant into service, which burns an excess of 100,000 Dth/day down at Port Everglades. What this provision will allow Sunrise to do is sell FPUA the gas capacity at slightly more than the tariff rate, which will be significantly less than we could get on the open market. The tariff rate is about $0.55/Dth, which at the worse FPUA would be paying about $1.0/Dth. If you roll our transportation together it does not make much of a difference. The amendment in front of you now has been signed by FGU and will go to Sunrise for their signature after Board approval.

Mayor Hudson said she does not understand what FPL has to do with this.

Mr. Tompeck said there is a little bit of a capacity constraint on gas in Southern Florida.

Mayor Hudson said so demand would exceed.

Mr. Tompeck said what happens is all the capacity for FGT is aggregated together for all the members. He said if we need a little bit more, they will buy it for us or get it from another member. If we do not use our capacity, they will give it to another member to buy, but if the capacity is constrained and they have a 25% alert day, the cost of additional capacity is very expensive. That will not affect us, but if Sunrise still had that capacity, they could charge $3, $4, or $5/Dth for it so they wanted to keep themselves a little bit whole, which is why they allowed us to write the agreement so we would double our cost, but only from $0.55 to $1.10, which is significantly less than if we had to go on the market and buy the capacity.

Mayor Hudson said it is a good deal from them and for us.

Mr. Tompeck said yes he believes it is.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve the first amendment to the Interlocal Agreement with Florida Gas Utility and the City of Sunrise for natural gas transportation capacity.

Mr. Tompeck presented the post budgeted work order/budget request to install a natural gas mainline extension for Fort Pierce CNG Partners, LLC. He said staff is requesting Board approval of a post budgeted work order/budget request for $118,784 to install a mainline extension for Fort Pierce CNG Partners. Fort Pierce CNG Partners are working on the installation of a Compressed Natural Gas station at the Port Consolidated facility on Jenkins Road, just north of Orange Avenue. In order to provide gas to that location, we will have to extend our main on Jenkins Road north to their facility, which is approximately 9,000 feet. Their initial load projection is only a 1,000 gallons a month. A gallon of gas is about 1.39 therms, which means 1,000 gallons would be about 1,400 therms and that is a pretty low load when you consider what we are running with Ranger about 6,000 Dth and Waste Pro we are running about 5,500 or 6,000 Dth. It is a low load to start with and they are going to try to build up the business so they will be selling a lot more. Based on that projection, the rate of return calculation exceeds the normal four-year

payback period, which means they will be responsible for the total cost of the main extension. They understand that and have already provided their payment for the main extension. Construction of the new main will take approximately five weeks and Fort Pierce CNG Partners expect the new station to be ready for operation in ~ 4 months. Mr. Tompeck said initially the station will primarily service trucks using the Turnpike and I-95. Now that there will be a CNG station available, FPUA is going to work with them to see if there are other companies that may be interested so we can steer them up there. When this subject was brought to the Board about two or three years ago, part of the problem was FPUA did not have a real anchor customer who could provide enough service to justify the investment. At 1,000 gallons a month, they are not coming close to justifying their investment, but they are interested in putting a facility there. FPUA is interested in selling gas and have talked with AT&T, UPS, and some of the other trucking companies. They told us when a CNG station becomes available for us to come back and talk to them, so that is what staff will do. Mr. Tompeck said he believes what they have lined up so far is Jeff Green who works for Wise Engineering is the engineering designer and he has some contacts. There are some long distance haulers that use I-95 and use CNG like City Furniture and Frito Lay traveling between Orlando and Miami. The only CNG station after Orlando is in Pompano so this is a good location. Jenkins Road is very easy to get to from I-95 and a little bit more difficult from the Turnpike, but still doable. Once they get this open, we are hoping to generate some additional interest and sell more gas. The station will be open to the public. Mr. Tompeck said he has not talked to Mr. Lindstrom about this yet, but FPUA is going to try to buy some dual fuel trucks in the next budget year so we can try to take advantage of compressed natural gas.

Mayor Hudson asked if this is in the City of Fort Pierce.

Mr. Tompeck said no.

Mayor Hudson asked if FPUA has the annexation agreement.

Mr. Tompeck said he does not know if they need an annexation agreement because it is on the existing Port Consolidated facility and is not new. He said what a lot of companies have done is instead of developing a whole new station, they have come into an existing fill station for diesel or gasoline and taken over one of the islands and that is what they are doing here.

Mr. Delulio asked if this does not work out for them five years from now, who owns the gas main line extension.

Mr. Tompeck said FPUA owns it.

Mr. Delulio asked if they pay for it.

Mr. Tompeck said they pay for it and it is an ideal situation for FPUA. The other thing that is nice about it is there are some potential customers along the route of this main that staff has already

started talking to, and one that is interested. There are a couple of developments that may eventually move along on Jenkins Road we could offer gas to as well.

Attorney Koblegard said he would get with Mr. Tompeck and said FPUA may want to take a look at the annexation question.

Mr. Delulio said he thought annexation was just for water.

Attorney Koblegard said we can do it for almost anything.

Mayor Hudson said that would be great to look into it.

Ms. Cavalcanti asked if it was on North Jenkins.

Attorney Koblegard said this is just north of Orange Avenue.

Mr. Tompeck said it is FPL electric and there is no water or wastewater service now.

Mr. Perri said it is almost two miles north of Orange Avenue.

Mr. Tompeck said it is about 100 yards from Orange Avenue.

Mr. Perri said the agenda item says 9,000 feet extension.

Mr. Tompeck said the 9,000 feet is extending the main up Jenkins Road and go around the corner on Okeechobee and go up ¼ mile.

Mr. Perri said the main is south of Orange Avenue now.

Mr. Tompeck said that is correct, 9,000 feet south.

Mayor Hudson said this a good thing.

Mr. Tompeck said he believes FPUA has an opportunity to really be part of something new here and we will do whatever we can to make this a success, not only for the Gas Department, but for the City as well.

A motion was made by Mayor Hudson, seconded by Mr. Delulio, and unanimously carried to approve Post Budgeted Work Order/Budget Request for $118,784 from contingency, to install a natural gas mainline extension for Fort Pierce CNG Partners, LLC.

Bo Hutchinson, Water/Wastewater Principal Engineer, presented the Water Treatment Plant High Service Pump #4 Project. He said the High Service Pump #4 project is under construction

and will provide a 2/3 increase in pumping capacity compared to the original pump. The project was originally budgeted to be funded entirely by rates, however the proportionate share of the cost as it relates to the new capacity should be funded by the Capital Improvement Charges (CIC). Staff is requesting the approval of a budget transfer of $330,000 from CIC contingency funds to more accurately fund the increase capacity and allow for the completion of the project.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve the budget transfer in the amount of $330,000 from contingency funds to replace $330,000 in rate funds for the Water Treatment Plant High Service Pump #4 Project.

Mr. Hutchinson presented the Sunrise Boulevard Water Main and Sewer Lateral Replacement Project. He said this project consists of replacing approximately 6,000 linear feet of water main lining, approximately 4,500 linear feet of gravity sewer main, and replacing all services for both of those utilities. This work is proposed in advance of the County's roadway construction and will save us the cost of asphalt overlays with this coordinated effort. The total project is estimated at $803,000 with $12,000 already funded in our annual sewer lining budget. Mr. Hutchinson said staff is requesting approval of $681,000 with numerous budget transfers to complete this project.

Mr. Bey asked when the project is scheduled to take place.

Mr. Hutchinson said they were going to start next week because there is a very compressed time line so the goal is to get it done when the kids are out of school. He said that is a very popular bus route and the County is scheduled for the end of October to do the roadway work.

Mr. Bey asked when the project would be completed.

Mr. Hutchinson said we have to get it done this fiscal year so it should be done within a couple of months. He said it will be an all hands on deck project.

Mr. Bey said there will be some major blockage on Sunrise while this is going on.

Mr. Hutchinson said that is very true and there are 18 sewer laterals that cross the road that have to be replaced. He said there are nine or ten of the water main crossings serving the north side of Sunrise that also have to be put in. All the water services are bored underneath so those will not be a problem. They plan to take the first lane and construct the utilities half way across the road with one lane shut down and then flip traffic and finish the work. It will have to be done for each one of these. Mr. Hutchinson said the goal is to do them in logical chunks where they are able to do a couple hundreds of yards of work at a time and would minimize it as much as possible. He said the main concern there is the school traffic.

Mr. Bey asked what was being in terms of communicating with residents in that area about the delays and road blocks.

Mr. Hutchinson said there is a MOT plan that was submitted and approved by the County and includes the notifications boards. He said those will go up very soon and as part of the County permit FPUA submitted and the County approved and he is not sure what mechanism they use to approach the customers.

Mr. Delulio asked if there is an unexpected delay and it goes to the next budget year, if contingency funds could be used. He said if there is a hurricane or something that holds it up, it could still be finished next year.

Mayor Hudson said it is a County project and FPUA is taking advantage of that to repair or upgrade some things and asked if that is correct.

Mr. Hutchison said that is correct and the water main is very old in that area and all the road crossings are old. He said the sanitary sewer laterals are clay and cross the road at a very shallow depth. When staff first looked at this project, they looked at just doing the sewer laterals, but then we would end up in a situation where the new lateral has to connect to an old sewer lateral. It then connects to an old main line so staff looked at it as a project as a whole and was a safer bet to replace everything now. Mr. Hutchinson said the odds of the water mains that cross the road, the water services, and the sewer laterals to survive that roadway construction without breaking during construction or even worse after construction where they have a brand new roadway and then we would have to go tear it up.

A motion was made by Mayor Hudson, seconded by Mr. Delulio, and unanimously carried to approve the Sunrise Boulevard Water Main and Sewer Lateral Replacement Project and associated budget transfers in an amount not to exceed $681,000.

Mr. Hutchinson presented the Rehabilitation of the Lime Silo and Walkway Storm Hardening Project at the Water Treatment Plant. He said the lime silo at the Water Treat Plant is in deteriorated condition and requires a complete overhaul. Like so many other items at the plant, it has been patched by staff over the years to remain serviceable; however, it has become a maintenance and reliability issue at this time. Also, there is a walkway covering that is between the sand filters and the slaker building that is deteriorated to the point it puts other items at the plant at risk during a storm condition. Staff is requesting approval of Specific Authorization GT-16-06 with Globaltech, Inc., which is one of FPUA's continuing service consultants and the associated budget transfers to address both of these issue for $276,000. An additional $15,000 is required for a building permit, staff time and overhead, bringing the total project costs to $291,000.

A motion was made by Mr. Bey, seconded by Mayor Hudson, and unanimously carried to approve POA 14-53: a) the Post-Budgeted Project/Budget Request in the amount of $291,000 and b) Specific Authorization No. GT-16-06 with Globaltech, Inc., of Boca Raton, Florida, in the amount of $276,000 for the rehabilitation of the lime silo and walkway storm hardening project at the Water Treatment Plant.

Barbara Mika, Finance Controller, presented the bill comparisons for the Month of April 2016. This graph displayed before you is the April Comparison of Florida Residential Electric Rates, which is compiled by the Florida Municipal Electric Association. This graph shows municipal electric bills in the state of Florida for usage of 1,000kWh. FPUA is identified in yellow, and represents FPUA's relative position compared to the other municipal electric utilities. FPUA has improved its standing one position since this comparison was presented in February to the 23rd position from the right. FPUA's Electric bill for April, at $107.84, falls below the averages for the All Requirements participants, for all Florida Municipal Utilities, and for the Investor Owned Utilities. Since March, five utilities have increased their bills, and eleven have decreased their bills, most notable changes were City of Chattahoochee with their bill reflecting a decrease in fuel cost adjustment of $10.12. City of Havana had an increase this month of $5.44. This is Havana's fourth consecutive month with an increase. The next graph displays a similar comparison for usage of 2,500kWh. On this comparison, FPUA has fallen back one position since this comparison was last presented in February and is now in the 19th position from the right. The reason for this change in FPUA's standing is the $10.12 decrease that was implemented by Chattahoochee. Also important to note is that FPUA's 2,500kWh bill for the month of April falls below all of the averages shown in this comparison. Mrs. Mika said the display before you is the April Comparison of local residential electric, water, and wastewater bills that has been compiled by finance staff. This table displays the comparison of utility bills between Fort Pierce, Port St. Lucie, St. Lucie County, Vero Beach and Martin County. All calculated bills include applicable taxes and fees and have been verified to actual bills. There have been no changes to any of the local water and wastewater bills. FPUA's electric has changed by the additional dollar $1.00 decrease in the Power Cost Adjustment. Port St. Lucie, St Lucie County, and Martin County all reflect slight decreases due to changes made by FPL in the customer charge (+.30), and Fuel Cost (-4.07) and Non-Fuel Costs (+1.84), netting in a $1.93 decrease for 1,000kWh usage. There were no changes to the electric bill for Vero Beach. FPUAs Electric Services remain lower than Vero Beach by $14.37 or 11%. Electric service for Port St Lucie, St. Lucie County, and Martin County are provided by FPL. The FPUA total bill shown here is 1.6% lower than Port St. Lucie and 3.1% lower than St. Lucie County Utilities. This item is for information only and there is no action is required on your part.

Ms. Cavalcanti asked what percent of FPUA's bill based on this is taxes like other utilities does not have for example like Martin County. She said it says this includes all taxes, fees, and charges and she is wondering what those are.

Mrs. Mika said our bill includes gross receipts and utility taxes, which is also a part of FPL's bill depending on where you live. She said everybody pays gross receipts taxes. It is a utility tax or a franchise charge for the County versus a utility tax.

Ms. Cavalcanti asked FPUA has a City of Fort Pierce tax.

Mrs. Mika said that is the utility tax that is on our bill.

Mr. Delulio said there is a schedule in our Board packet that has a breakdown of all the additional taxes paid throughout the state with the other utilities.

Mrs. Mika said generally the utility tax or franchise tax they are paying one or the other. She can get Ms. Cavalcanti the different percentages if she would like.

Ms. Cavalcanti said she will look in the report she has first.

Mr. Delulio said if we look on the bar schedule with the comparisons, he likes to compare apples to apples instead of apples to oranges. He said apples to apples would be other utilities in the State that are a part of the FMPA, which we are a part of and there are 13 of us in that group. When we look at that comparison and ignore the other entities there because they have different fuel costs and other cost. Looking at how FPUA compares to our sister companies in the State, we are consistently lower than the majority of them. Looking at both of the schedules we have the 1,000kWh and the 2,500kWh, FPUA is the 4th lowest. There are four lower than us and eight that are higher than FPUA. Of the four lower than FPUA, we are within $2 of three of them. The best place to do some comparisons would be to focus on comparing FPUA with other companies in the State that have similar fuel costs. FPL and maybe some of the these other Investor Owned Utilities may have lower fuel costs than FPUA and it makes it appear as though our operating cost are more, when in fact the one thing we have no control over is typically more than what FPL has.

Mayor Hudson asked if Mr. Delulio is talking about comparing it to the All Requirements Project and not all the 31 FMPA ones.

Mr. Delulio said that is correct to compare to those that have similar fuel cost and when you peel it back to that group, FPUA is consistently much lower than the average in the group on our total costs. He said we spend a lot of time comparing FPUA with the FPL's of the world.

Nina Penick, Director of Financial Services, presented the Quarterly Financial Operating Results for March 2016. She said the most significant thing that took place in the month of March was the refunding of our 2002 bonds and the financial results do not show that yet. In the refunding the interest rate on that series of bonds wad about $9.5 million. The interest rate down from 5% to 2.14 %, which is less than half. By paying less than $20,000 more a year, FPUA is able to pay off those bonds one entire year early, which would be October 2026. The cost was less than $60,000 to do the deal. Our financial operating results for March 31, increase in net position was a little over $1 million, but was down about $1.3 million from the same time the year before. The operating revenues were up slightly more than the operating expenses so the operating income was up. The reason for the decrease and increase in the net position is really a result of the decrease in the capital contributions. FPUA's electric, water, and wastewater units billed increased for the six months, but gas consumption was down. As a result, the cost of purchased power was up $238,000, but purchased gas cost was down $253,000. The depreciation expense

increased 9% over the same time prior year as a result of capitalizing projects completed in recent years. Mrs. Penick said the revenues on the electric side has an increase in consumption and the bars on the next four slides relate to the revenue and the lines relate to the consumption that is billed to the customers. The consumption, although it was down as well as the revenues from 2014 to 2015, in 2016 the revenues were up 4% and the consumption was up 6%. We believe that was the result of filling some unoccupied properties that were not occupied last year. Water consumption is completely flat, but we did see 3% increases in 2015 & 2016 primarily because of rate increases. The wastewater billings increase a little bit more on the water side. The gallons billed were up 1% over the two year period and the operating revenues were up a prorate share. The natural gas system had an 8% increase in revenues from 2014 to 2015, but dropped 7% from 2015 to 2016. The gas consumption was up 11% and down 12% so we are down about 1% from two years ago. This is a result of the gas contract consumption, which was down 20% and it resulted in a 15% decrease in the contract revenue. Our operating income and debt service ratios are still very strong. Our debt service ratio for the twelve months ending March 2016 was 2.62 and that is more than double the 1.25 required by FPUA's bond covenants and our equity covenants as well. This is an information only item and no action is required from the Board.

Mrs. Penick presented the Status Report on the Electric Power Cost Adjustment (PCA) for April 2016 and updated projections through September 2017. She said the PCA is the mechanism by which FPUA recovers power costs from our customers that are 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 April was billed to FPUA at the rate of $74.69 for 1,000kWh. It was an increase of $6.49 as compared to the month of March. The under-recovery from the customer for the month of April totaled $364,675, so the cumulative over-recovery is approximately $5.6 million as of the end of April. Staff is not recommending a change in the PCA at this time. The chart displays the projected amount of the PCA over-recovery would be assuming the no change leaving the PCA at the -$9. These projections of FPUA's power cost are prepared by Public Resources Management Group, which in turn are based on the projections prepared by FMPA. Mrs. Penick said since last month's forecast, FMPA's estimate of the price of purchased power for the upcoming 12 months increased 3%, but because of the amount of the current over recovery, staff is not recommending a change in the PCA at this time.

Mrs. Penick presented Resolution No. UA 2016-06. She said this resolution relates to the Harbor Community Bank deposit and it is a housekeeping item that is a result very similar to the resolution where we had to update when Mrs. Penick got married back in January. It is just a name change. This resolution supersedes the previous resolution which was Resolution No. UA 2015-11, which was approved on July 7, 2015.

Mr. DeIulio said his name was spelled incorrectly on the resolution and this is the first time this has happened.

Mrs. Penick apologized and said she would correct it.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to adopt Resolution No. UA 2016-06, the deposit resolution with Harbor Community Bank, of Indiantown, Florida.

Mr. Lindstrom reminded the Board that tomorrow morning, Wednesday and not Thursday at 8:30 a.m. is our Budget Workshop at the 37th Street ESC building. The workshop is open to the public.

Mr. Lindstrom said FMPA is interviewing for the General Manager this week and they have narrowed it down to ten applicants. He does not know how many were initially considered, but the top ten are scheduled for interviews.

Mr. Lindstrom said in reference to gas situations, at the peak in North Dakota there were 45 drilling rigs on site and today there are 8. He said the premise is natural gas will not stay at $2 and the breakeven point is approximately $4 to maintain those 8 rigs on site.

Mr. Lindstrom said FPUA staff had a storm simulation last week preparing for the upcoming season and practiced some really nasty things. He believes we did well so FPUA is going to partner with the City and do the same thing and communicate how we are going to work together on that.

Attorney Koblegard said FPUA did close on the Treasure Coast $300,000 loan and the cleanup is moving ahead.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN