MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, WEDNESDAY, AUGUST 1, 2017, 4:00 P.M., CITY COMMISSION CHAMBERS.

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

Others present: John K. Tompeck, Director of Utilities; Amy Shevlin, Acting FPUA Attorney; Nina B. Penick, Director of Financial Services; Paul Jakubczak, Director of Electric & Gas Systems; Bowdoin G. Hutchinson, Director of Water/Wastewater Systems; Lois A. Wolfe, Human Resources Manager; and Judith A. Widmayer, Communications Manager.

The meeting was called to order by Chairman Cavalcanti.

Opening Prayer was by Carl Johnson of FPUA Human Resources.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

Javy Cisneros, Supervising Engineer of Electric & Gas Engineering, introduced Intern Cameron Whack. He said this summer has been very exciting because our intern has been able to work on some important projects. The majority of his time has been utilized on the fiber verification project. FPUA's fiber system was built as the main communication platform for the Electric Distribution and Transmission System and the corporate network and then expanded to be a communication pipeline for several commercial customers such as IRSC, the School Board, and Sheriff's Department to name a few. Our intern, Cameron has worked closely with Jason Mittler, Jason Drost, and our fiber contractor to integrate the existing inventory of our fiber network into our GIS fiber manager database. Mr. Cisneros said simply put, we are taking a lot of information and putting it into a single repository so we can use it with our mapping system, which is a huge step into the 21st century. He said Cameron had no experience in the electric, gas, and communication industry, but hit the ground running with his professionalism and charisma. Mr. Cisneros said he is confident the future of the engineering profession is in good hands with Cameron. Cameron Whack was born in Ft Lauderdale and moved to Port St. Lucie in 2004, graduated from Port St. Lucie High School in 2011, attending the University of Central Florida as a double major in Mechanical and Aerospace Engineering, and will be graduating December of this year. This is Cameron's first year interning with FPUA.

Mr. Whack thanked FPUA and the Board. He said coming into the summer he did not have any idea on what this internship would entail and was not expecting much. He heard some things from his classmates and friends about their internships like running coffee, taking notes, making copies and he was not expecting much. After his first two weeks, Mr. Whack said he had learned so much and it is hard to put into words. He said he went back to his friends and told them he thinks he learned more in his first two to three weeks at FPUA than he did in his first two to three

years at UCF. He said he does not know how accurate that is, but that is how he felt at the time. Overall, it has been very rewarding and fruitful and he was not expecting this at all. He was expecting to answer phone calls and making copies, but it has been great. Mr. Whack thanked everybody at the Electric and Gas Department and said Javy made him say that, but said he was kidding. He said everyone at the Electric and Gas Department has been very helpful, great, and very friendly. They have been patient at times with him and they do a great job over there. He said that personally he thinks they might do a little bit better job there with a young and talented engineer on staff, which is just his opinion. Overall he wanted to say thanks to FPUA, the Board, and the Electric and Gas Department. It has been a very positive experience for him professionally and as a young adult.

Ms. Cavalcanti said she hopes to see him back here.

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

A motion was made by Mr. Bey, seconded by Mr. DeIulio, and unanimously carried to approve the July 5, 2017 regular meeting minutes.

A motion was made by Mayor Hudson, seconded by Mr. DeIulio, and unanimously carried to approve the July 13, 2017 special meeting minutes.

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

1. POA 16-14: Approve the purchase of twenty Panasonic Toughbooks in the amount of $75,546.60 from QuestingHound Technology Partners, LLC of Deerfield Beach, Florida under GSA Contract Number GS-35F-0143R.

2. POA 17-79: Approve the Contract with United Data Technologies, Inc., of Miami, Florida, for the purchase and installation of two Cisco WS-C3850 network core switches in the amount of $36,021.30, under the ESCA-NASPO Cooperative Purchasing Organization Data Communications Products and Services 14-19 administered by the State of Utah, Master Agreement and State of Florida Alternative Contract Source No. 43220000-WSCA-14-ACS. The network core switches include one year of maintenance with annual renewal options on terms and conditions that are mutually acceptable to the parties.

3. POA 14-53: Approve Specific Authorization No. HCE 17-01 with Holtz Consulting Engineers, Inc., of Jupiter, Florida, in the amount of $48,030 for engineering services consisting of the preparation of construction plans and specifications for the rehabilitation of Lift Station E.

4. POA 17-80: Approve the Contract for security system upgrade, maintenance and monitoring of fire and burglar alarms with Tyco Integrated Security LLC of Boca Raton, Florida, in an amount not to exceed $63,031.79 ($33,245 for camera and associated equipment installation and $29,786.79 annually for maintenance and monitoring). The initial term of this Contract will be from August 1, 2017, to July 31, 2022, with unlimited one-year renewal options.

5. POA 6103: Approve Contract extension with Evoqua Water Technologies, LLC, of Warrendale, Pennsylvania, for odor control materials and services in an amount not to exceed $100,000 for the period from July 1, 2017 to December 30, 2017.

A letter was received from Pam Gillette of Main Street Fort Pierce thanking FPUA for bringing and setting up the American Flag and for the use of the Wastewater Reclamation Facility for the July 4th celebration.

A letter was received from Rick Ross of Rosco Development thanking FPUA staff for going above and beyond in their assistance to rectify his water service problem.

Mr. Tompeck said the next item is a presentation of the 15kV circuit breaker replacement. He said we have been trying to integrate some technical presentations with some project presentations to bring the Board up to speed on some of those tasks.

Mr. Cisneros presented the 15kV circuit breaker replacement. He said this presentation will look familiar because the Board has approved the budget transfer or a purchase of major equipment and he is excited to provide this progress update for this multi-year project as it is coming to completion. A circuit breaker, from a bird's eye view, is a very expensive light switch. When the switch flips down, the power goes off and when it flips up, the power comes on. It functions similar to a circuit breaker in your panel at home. It is designed to protect your home from a fault or overloaded condition that could cause serious damage. For FPUA, circuit breakers protect very expensive pieces of equipment such as transformers, other substation equipment, and our overhead and underground lines. FPUA has circuit breakers of different sizes to accommodate our system voltages. There are 51 breakers for our 13.2 kV distribution system in total and this project is for the 21 oil filled circuit breakers that are left in the system. Mr. Cisneros said the displayed diagram shows a typical overview of the 13.2 kV distribution system at our substations. He said the transformers are shown in red and there are two transformers at each substation. In the event one transformer is taken out of service, there is another transformer that can feed the entire substation. A single transformer has a price tag of $500,000 for material alone with an 18-22 week lead time after we go through our procurement process. It is a very

important piece of equipment to protect and the breakers certainly do that. The diagram shows a breaker on each side of the transformer and the breakers in gray are called the high side breakers because they protect the transformer on the 69 kV side. He will not be talking about those breakers today but the Board will hear more about them in the near future as we will be replacing these breakers in the next few budget years. They are also oil filled breakers. Mr. Cisneros said this project scope involves the replacement of the breakers shown in blue, the low side transformer breaker, bus tie breaker, and feeder breakers. This project hit the radar in 2007-2008 when we were making improvements at the Hartman Substation. At the time, staff had planned to use a contractor for this project, which was estimated at about $1.1 million. In 2012-2013, we made the decision to complete this project using in-house staff and as a result, the revised budget was $982,000, which was a little bit of a cost savings. To date, the actual spent is slightly above $825,000 and includes the purchase of 19 magnetic actuated breakers. That does not add up to 21, so he said he would explain. As part of the King Plant demo, FPUA made improvements at the Hartman Substation and Causeway Substation. To make a long story short, we did not use four breakers from that project, but kept them as spares. We have four Mitsubishi breakers and 19 ABB breakers, which adds up to 23. We are keeping one spare unit from each manufacturer because this is a critical infrastructure and because of the long lead time we have to have a spare for each unit. Mr. Cisneros said to date we have replaced 17 breakers and still have four breakers that are scheduled to be replaced before the end of the calendar year. He displayed a close up of the oil filled breakers and the inside of the operating mechanism that helps to open and close the breaker. There are several springs and a piston that assist with operating the unit during a fault. The reason we are replacing the units is the breakers are over 35 years old and when a breaker fails to operate, we have to identify which part of the 300 moving pieces needs to be replaced. After that, we have to beg, borrow, and steal from another unit to get it to function properly. The spare parts are hard to get. Because of these reasons, we need to replace these units to provide us a lower reliability exposure. The next picture shows the oil breaker taken out of service and shows a different angle and how limited that space is for removal. This shows the installation of the Mitsubishi breaker at the Causeway Substation and here is a good picture of trying to thread the needle so they had to go very slow to install the units. The new ABB breaker on its platform is shown at the Savannah Substation. When all the breakers were replaced, we installed all new cabling from the control house to the breakers. Not only did we replace the breaker, but we replaced all the communication cable and all cable in between the breaker and the control house, which was an important piece of this puzzle. This is a good picture of the vacuum bottle interrupters and it performs the same function as the oil tank. Mr. Cisneros said since we have less moving pieces and parts, it is going to be lower maintenance requirements, but also because we have the vacuum bottle it is much easier to replace than oil He said we can get parts easily within one week or so and will have a higher reliability with our breakers. A short video was shown and he said it provides a good overview on how the ABB breaker works. It shows the low voltage cabinet on the bottom and the high voltage stuff on the top. The breaker has one arm that operates all three phases. The project was completed in-house so there will be a cost savings of approximately $125,000 as compared to a contractor, but more importantly, we have gained a tremendous amount of in-house knowledge. Mr. Cisneros said he feels it is important to acknowledge the folks that do a lot of

the heavy lifting and the team consisted of Larry Lammers as the Project Manager, Randy Shonk has since retired, Steve Herdeman, Frank Cox, Crosby Gore, and Bill Crawford.

Mr. DeIulio asked what the life expectancy is of the units.

Mr. Cisneros said 25 years and hopefully longer.

Mayor Hudson said by reliability, she assumes the customer has fewer outages.

Mr. Cisneros said it is quicker to get those units back in service if they were to be taken back out of service. He said this is at the substation and there are still things outside the substation that can cause an outage.

Mayor Hudson said if the customer is listening, why is this important to them.

Mr. Cisneros said we have older units and when those things are out of service, it takes a much longer time to get back in service. He said we have the ability to do switching in the substation and we do not want to over load our system or a feeder. Ideally, we want to replace units as they start to fall apart and that is what we have, older units that are falling apart. Our guys have done a very good job of maintaining those units, but there is only so much time you can invest in something that is ready to turn over.

Ms. Cavalcanti said earlier you said those others ones were 35 to 40 years old.

Mr. Cisneros said that is correct and they were way past their life expectancy. He said this is information only item and no action is required from the Board

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Nina Penick, Director of Financial Services, presented the Financial Operating Results for May 2017. She said there was a year to date increase in net position, after the distribution, was $228,000 from the year before. In large part, we had a pretty significant increase in our operating income in this particular month as well as a large decrease in capital contributions. The reason for that relates to recording that capacity reduction option that was brought before the Board at the May 2, 2017 meeting. The developers opted to reduce their prepaid capacity so they can pay off their guaranteed revenue charges (GRCs). The GRCs shows above the line in operating revenue so that revenue shows up in other operating revenue and there is about $1 million more in the month of May than any other month. We also had a decrease in capital contributions, which is where the CIC money that had been previously applied to the CICs was posted. It sort of nets out to no change, but it is significant in that the capital contributions were restricted, but GRCs are not. This relates to both water and wastewater and there are probably three more times she will refer to this because it had a large impact on the results in May. We did have lower depreciation in general administrative expenses as well. Mrs. Penick said on the graphs, the bars represent operating revenues and on the electric it is minus power costs and the line relates to

how much our customers used for the eight months ending in each of those three years. Our revenues are up about 2% from FY 15 to FY 16, but down 4% from FY 16 to FY 17 and it is a result of the changes in what our customers are using. On the water side, although we had 3% increase in operating revenues from FY 15 to FY 16, the increase in operating revenues from FY 16 to FY 17 is 11% and that is because of the extra $1 million that shows up in FY 17. That is a onetime adjustment for that particular developer and there are others coming down the pike before the end of the year. The Wastewater System is billed generally based on water sales and water billing and those revenues are up 1% in FY 16 and up 9% because of the adjustment we did in May. The consumption was flat from FY 15 to FY 16, but up 4% from FY 16 to FY 17 and that is real growth. Mrs. Penick said in the Natural Gas System the revenues have decreased and consumption has bounced back up from 2016, primarily because of the gas contract consumption which was up 10% from FY 16 to FY 17 and that resulted in a 1% increase in contract revenue. The operating income and debt service for the 12 months ending each of those respected dates that goes back to 2008. We also had a fairly large bump in that ratio. As of the end of last year, the ratio was 2.41 for the month of May and for the rolling 12 months, the debt service rate ratio went up to 3.1, which is a result of those adjustments we made in increasing the operating income so it increases the ratio. The debt service coverage ratio is more than twice the minimum of the required by FPUA's bond covenants so we are doing just fine there. This is an information only item and there is no action required of the Board at this time.

Ms. Cavalcanti asked Nina why the electric went down so much in consumption for the first eight months.

Mrs. Penick said she thinks it is more because it is not up as much as it was last year. She said over the years it is very rare for us to have increases in consumption of more than 2% or 3%. We had a really good last year so it is not like we are down so much as we are not up as much as we were.

Ms. Cavalcanti asked if it was a different winter that she did not remember.

Mrs. Penick said we are only talking about May, but we are having one heck of a hot summer.

Mr. DeIulio said our services billed has gone up a little bit.

Mrs. Penick said they have.

Mr. DeIulio said it is not because of lack of customers.

Mrs. Penick said more so on the water and wastewater side because we have brought in a couple of condo units that may have been previously bulk water. She said we are trying to bring on new customers the best we can.

Mrs. Penick presented the status report on the Electric Power Cost Adjustment (PCA) for the month of June 2017. She said this is a status update and are not asking for any changes in the power cost adjustment at this time. We had a little bit of good news and she wanted to bring it to the Board. This is June's power cost and updated projections through June 2018. The PCA is the mechanism by which FPUA recovers the cost of power 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 June was billed to FPUA at the rate of $77.60 for 1,000kWh, a decrease of $7.36 as compared to May. The over-recovery from the customers for the month of June totaled a little over $300,000. We were anticipating an under recovery of about the same amount, it was unexpected, but it was a result of lower power prices and higher customer usage in the month of June. The cumulative over recovery as of the end of June was a little over $283,000. FPUA has returned almost $6.7 million back to our customers during the 16 months ending May, June was the first month in many months where we actually over recovered instead of under recovered. Mrs. Penick said on the displayed graph the dark blue line depicts the PCA and the projections are showing a $1 increase from this point forward as an option. She said this is what it would look like if we were to continue to increase the PCA $1 a month from now until June 2018. The bars depict the balance of the PCA over or under recovery, the blue being the actuals and the orange are the projected amounts. In the next meeting in two weeks, we will be presenting a number of different options. By increasing the PCA $1 a month even for all that time frame, we are not within the range that we had agreed we wanted to be within of $1 million to $4 million range. We really need to bring the over recovery over that $1 million minimum. This is an information only item and no action is required from the Board.

Mr. DeIulio said Mrs. Penick indicated in here the projections for the month of June 2017 over the prior eleven months at the 50% confidence level were an average of 13% than the actual rate billed. He said the projections we have here are at 100% projection, so if they come at 13% lower, then the curve should start to move down if that held through.

Mrs. Penick said that is correct. She said for whatever reason, we like to look back at how well FMPA estimated what the prices were going to be and that is provided in the Board packets each month. What we have seen recently is FMPA's projections were getting to be a little more realistic or actually in some cases the projections were less than what we were actually billed. However, in this particular month, they missed the mark and overestimated for the month of June 2017.

Mr. Bey asked if that means this is a trend and maybe the fuel prices are not going to be as high as we thought they would be.

Mrs. Penick said it is a possibility, but her crystal ball is a little cloudy. She said if we all knew, we would act accordingly. It could be that they are over estimating the future prices.

Mr. Bey said in two weeks we will be charged with trying to anticipate how we will either raise or lower the PCA.

Mrs. Penick said we will have another month's worth of data, we will have the July actual results. She said at that time, they may have a whole other years' worth of projections. It is usually about this time of the year in the month of August that FMPA comes out with a whole extra year. We do not look at that because they are even further off than the ones that are more near term and we will continue to look at it every month anyway. We need to be basing our projections on something and what FMPA is providing us is all that we have to work with. Our rate consultant looks at it based on our history and our load factor each month. Mrs. Penick said even raising it $1 each of those months, it is still hovering between $1 million and $0 in the upcoming twelve months.

Mr. Tompeck said our plan is still to continue with the $1 increases through September and only give the Board a series of options at the next meeting so you can think about it. He said you may want to tell us which one you would prefer us to pursue. We will not be asking you to make a decision on any of the options in August.

Ms. Cavalcanti said when you look up the natural gas futures prices, which she looked up before she came in here, she asked how much it plays into this.

Mr. Tompeck said he thinks it has a pretty significant piece of the puzzle.

Ms. Cavalcanti said that is what she was afraid of.

Mr. Tompeck said they could run their analysis on a Monday when the future shows it being $3 or $3.10 and then run their numbers on Tuesday and gas is $2.90, the futures all change again. He said it really depends minute to minute on the changes. The good news on the natural gas front is that it has been as stable as natural gas can be between $2.80 and $2.92 for the last six weeks, which has absolutely nothing to do with what it will be tomorrow.

Mayor Hudson said there are also people all over the world that are doing this for a living, everybody is projecting. She said we are just one of a million people that are trying to project the future in trying to make smart decisions.

Mr. Tompeck said history tells us that this time of the year we are using a lot of natural gas, but it depends on how much that natural gas is being diverted to power generation. He said in September they start with the shoulder month, which they will be using less natural gas before the winter heating season. It is not unusual for the price to go even a little bit further lower. In the winter it is not unusual for it to go up.

Mrs. Penick said the next item is Resolution No. UA 2017-09, which is a house keeping item due to the change in personnel, we are just changing the signatures on the bank account as well as the signatures on the checks.

Mayor Hudson said there was a correction on the resolution where it states Glynda Cavalcanti as the secretary.

Mrs. Penick said that was corrected and she thanked Florinda.

A motion was made by Mayor Hudson, seconded by Mr. DeIulio, and unanimously carried to adopt Resolution No. UA 2017-09, the Corporate Authorization Resolution with Seacoast National Bank, of Stuart, Florida.

Mr. Tompeck said staff would like to congratulate Mike Perri who was re-elected as Chairman of the FMPA Policy Makers Liaisons Committee. He said this is his third term and staff appreciates his efforts on this committee.

Mayor Hudson said congratulations.

Mr. Tompeck said we have been working with Mark McCain at FMPA and he is the Assistant General Manager for Member Services and has previously hosted a couple of FPUA's strategic planning workshops. In order to develop the agenda, each of the business units of FPUA will be preparing a Strengths, Weakness, Opportunities, and Threats (SWOT) analysis. Once that is completed the agenda can be prepared and we are going to blend in the topics that Mr. Tompeck talked to each Board Member individually about such as the WWRF relocation, overhead versus underground electric, smart meters, and customer deposits. He said obviously we are going to go into quite a bit of depth in the customer deposit issue and also do an evaluation of the current resolutions to see if there is anything we see that we want to change. Staff is planning on getting the agenda out in the next two to three weeks and hopefully we will be able to hold the planning session in late September.

Mr. Tompeck thanked the Board for meeting with him individually and helping him to get off to a good start, he appreciates it very much.

Ms. Cavalcanti said she is going to ask Mr. Mimms if he has anything because she always forgets him and apologized.

Mr. Mimms said he would like to report that the City of Fort Pierce has tasked the City Manager's office with determining a mechanism and some sort of concept to relocate the wastewater treatment plant from the island. He said that is a very important strategic goal of the City of Fort Pierce and may not be an immediate need or object of FPUA, but he believes he is going to try his best to push this initiative and make this a high priority for both entities. He is very intrigued by the strategic planning FPUA has planned for late September and will be calling Mr. Tompeck and probably others in the organization such as Bo Hutchinson as well. Mr. Mimms said this is something of high importance to the City of Fort Pierce and they intend to move forward with it as soon as they possibly can.

Ms. Cavalcanti thanked Mr. Mimms and said she also had lunch with some people regarding that six weeks ago. She said it was very good and thinks it is going to be a really good thing for Fort Pierce if we can get it done.

Mr. Perri said he got a copy of our FPUA Attorney's bill for the past action we have encountered and he sees it was conveniently at $24,700, which does not require Board approval. He said it is for 190 hours and if you divide 190 hours by 8 hours a day, it looks like it was almost 24 days' work done on that. Mr. Perri said he has a problem thinking it took that amount of time and wanted the public and ratepayers to know we pay the attorney $98,000/year and this bill looks a little out of whack to him.

Acting FPUA Attorney Amy Shevlin said she cannot answer any questions of substance on what may have transpired because she was out of the office the bulk of that time and today is actually her first day back. She said between the middle of May and her last day in the office of July 5, she personally witness Mr. Koblegard on his phone pretty much the entire time he was in the office. She was unable to reach him when he was out of the office because he was on his personal cell phone conducting FPUA business on emergent matters the Board is familiar with that transpired during that period of time. She is also was aware because she was not in the office at the time that it definitely prohibited him from working on our other client files in the office. Ms. Shevlin said she knows for a fact that the time he spent on his cell phone, while that was huge, she is not counting the time he also spent on the office phone and correspondence with whomever he was speaking to. She does not have any substance information because she was not involved in that process for the most part. She can personally attest to the amount of time that he was put in during that period of time.

Ms. Cavalcanti said she had a questioned and asked if the billing rate for FPUA is significantly lower than the normal billing rate so the hours he puts in are billed at $130 per hour for FPUA and for normal clients the attorney fees are in the range of $400 to $500 per hour.

Ms. Shevlin said their office is generally $250 per hour and they do charge FPUA $130, which is a significant savings.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

VICE CHAIRMAN