MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, AUGUST 6, 2019, 4:00 P.M., CITY COMMISSION CHAMBERS.

Members Present: Chairman Darryl Thomas-Bey; Vice Chairman Glynda Cavalcanti; Secretary Daniel DeIulio; Deputy Secretary Charlie Frank Matthews; 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 A. Jakubczak, Director of Electric & Gas Systems; and Javy Cisneros, Director of Utility Support Services.

The meeting was called to order by Chairman Bey.

Opening Prayer was by Richard Mutterback Water/Wastewater Environmental Engineer.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

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Mr. Tompeck said he would like to insert a quick item here to introduce our Water/Wastewater Intern Benjamin Harrison. He said Richard Mutterback will make the introduction.

Richard Mutterback, Water/Wastewater Environmental Engineer, introduced Benjamin Harrison (Ben) who has been with them all summer in the Water/Wastewater Engineering Department. He has been there for eight weeks now and is getting ready to wrap up this Friday before he goes to FIT in Melbourne to continue his education.

Ben Harrison said he has been the engineering intern in the Water/Wastewater Department for the last eight weeks. He thanked FPUA for providing the opportunity to him and said it is a really great thing to hire summer interns. It really provides a great opportunity for students and aspiring engineers such as himself to get his feet wet and get some real world experience. He has worked on fixing water meter discrepancies, going out in the field to GPS fire hydrants, linking force mains in the GIS system to the original record drawings, and also getting a behind the scenes in depth tour of the wastewater plant. Those are some of things he did over the summer and Mr. Harrison said it was a really great opportunity and thanked the Board. He thanked the staff at FPUA and said everyone he met has been super friendly, great awesome people that always answered his questions, and have been patient with him. He said he is very grateful for this opportunity and very thankful for helping his career a lot going forward and feels he has a lot of opportunities ahead of him because of this. Mr. Harrison said he is very grateful for the opportunity.

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Nina Penick, Director of Financial Services, said is it is her pleasure to present to the Board the Certificate of Recognition for budget preparation from the Government Finance Officers Association Distinguished Budget Presentation Award for our FY 2019 Annual Budget. She said the award represents a significant achievement, another year down. It reflects the commitment of the Board and staff to meeting the highest principles of governmental budgeting. FPUA has to jump through a lot of hoops to achieve this award. We have received this award since FY 1997, which is 23 years. In order to receive this award, the budget was rated proficient in all four of the following: a policy document so if anybody wants to know what our policy is in a certain area, it is pretty well covered in there; a financial plan which is all the numbers; an operations guide, there is a lot of information regarding each of the departments in the budget document; and a communications device, which is how we get the word out. Mrs. Penick said the budget document is located out on FPUA.com for anyone who wishes to take a look at it. She expressed a special thanks to the Department of Finance staff as well as everyone in the organization because all of the departments participated in putting together this document both the numbers and the descriptions within each of the departments. It makes it the document the real quality it is so she certainly wants thank all of those folks. Mrs. Penick said we actually do have a real plaque, it is not just this certificate. She said the plaque resides in FPUA's Customer Service lobby and it is very heavy and she did not want to drop it.

Mr. Bey thanked Nina for the great work.

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Chairman Bey asked if anyone would like to add or remove anything from the agenda.

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

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A motion was made by Mr. Matthews, seconded by Mr. DeIulio, and unanimously carried to approve the Minutes of the Regular Meeting of July 2, 2019.

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Mr. Tompeck said he would like to pull Consent Item D-6 for discussion. He said the item has to do with FEMA reimbursements for Hurricane Irma and we would like to discuss the process with the Board for a few minutes after the balance of the Consent Agenda has been approved.

Mr. Matthews said he raised a question of Consent Item D-8 from the last meeting and was in contact with the Director and sees the item is now D-4. He said he is prepared to move forward to make the motion.

Mr. Bey asked if he is pulling Consent Items D-6 and D-4.

Mr. Matthews said he is not pulling it.

Ms. Cavalcanti said he is approving it. She said we are pulling D-6.

Mr. Tompeck said at the last meeting Mr. Matthews had a question on what was D-8 and is now D-4 and he is okay with it.

Ms. Cavalcanti asked if Mr. Matthews made a motion.

A motion was made by Mr. Matthews, seconded by Ms. Cavalcanti, and unanimously carried to approve the remaining Consent Agenda items.

1. Approve POA No. 16-60: Assignment of Contracts from Public Resources Management Group, Inc., of Maitland, Florida, to Raftelis Financial Consultants, Inc., of Charlotte, North Carolina, as of July 1, 2019, contingent on receiving the required Certificate(s) of Insurance.

2. Approve Post Budgeted Project/Budget Request for 7-Eleven for $29,100.

3. Approve Budget Transfer Request in the amount of $40,000 for the Auto Reclosure Reliability Improvements project.

4. Approve the purchase of 1/0 15kv underground electric cable for inventory, in an amount not to exceed $200,000 annually, from Stuart C. Irby Company, of Jackson, Mississippi, through the Florida Municipal Power Agency Joint Purchasing Project, from August 6, 2019 to February 2020, with an option to extend the award for two, one-year periods, through January 31, 2022.

5. Approve POA No. 15-53: Additional funding for State Contract Pricing purchase of MiFi communication services and equipment from Cellco Partnership dba Verizon Wireless, of Basking Ridge, New Jersey, under State Contract DMS-10/11-008C, to increase the not-to-exceed amount from $50,460 to $60,000 annually, through January 15, 2022.

7. Approve the award of bid for the purchase and delivery of overhead/polemounted transformers for inventory in an amount not to exceed $200,000 annually, from Anixter Inc. of Glenview, Illinois, through the Florida Municipal Power Agency Joint Purchasing Project Invitation to Bid No. 2019-005 and 2019-005A. The initial term of this award is for five years, through June 2024, with an option to extend on a year-to-year basis beyond that date by mutual consent.

8. Approve RFP No. 18-40A: The single source purchase of Honeywell Advanced Metering Infrastructure electric meters in an amount not to exceed $63,522.96 from Elster Solutions, LLC, of Raleigh, North Carolina.

9. Approve POA No. 19-53: Single source purchase of 100A ABB fused cutouts, in an amount not to exceed $40,000 annually, from Wesco Distribution, Inc., of Pittsburgh, Pennsylvania, for the period from August 7, 2019 through August 6, 2020, with four one-year renewal options.

10. Approve Bid No. 19-55: The award of Bids for the purchase of backflow detectors, preventers, resetters, ball valves and curb stops to Core & Main LP, of St. Louis, Missouri, in an amount not to exceed $99,394.03 annually, and Ferguson US Holdings, Inc. dba Ferguson Enterprises, LLC/Ferguson Waterworks, of Newport News, Virginia in an amount not to exceed $90,715 annually, for the period of August 7, 2019 through August 6, 2020, with four one-year renewal options.

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Mr. Tompeck said Nina Penick is going to discuss the Subaward and Grant Agreement and will ask the Board for a little bit of a change for approval from what is listed here.

Mrs. Penick said she is presenting to the Board today the Federally-Funded Subaward and Grant Agreement for Hurricane Irma. She said for each of the different storms, we have an agreement FPUA signs that basically says we are going to follow all the rules, they are going to follow all the rules, and then they will reimburse us. The process for Irma has been very different than Matthew and all of the previous storms. Matthew hit in October 2016 and Hurricane Irma hit in September of 2017, they both fell in FY 2017. The Public Assistance Funding Agreement for Matthew was executed in March of 2017, about five months after the disaster. The documents associated with Matthew and all previous storms are managed through the FloridaPA.org website, which is the home base for all that information. Mrs. Penick said the disaster was 22 months ago for this Grant Agreement being executed today and we have one project worksheet obligated at this point. The documents associated with Irma are managed on a completely different website called a Grants Portal, which is federal and the other one was state. All the information is brought together and it has been very different this go around. FPUA is being asked to execute this Agreement today in the amount of $30,289.70. However, FPUA incurred costs totaling $1.25 million for Hurricane Irma. FPUA has been assured by a Contractor on behalf of the Florida Division of Emergency Management that this Agreement will be amended as additional amounts are obligated. Mrs. Penick said she does expect this to be an administrative nightmare. She said the difference between $30,000 and $1.25 million is quite a bit of money and she is not sure how many amendments they are going to submit or what they are going to look like. Rather than continually bringing these back to the Board, she would like to request in addition to requesting the Board's approval of this Agreement, but staff would also like to request the Board authorize the Director of Utilities to execute what is expected to be multiple amendments to this Agreement, without further Board action. It will make the Board happier and will probably make staff happier administratively. Mrs. Penick said staff will jump through any hoop they want us to in order to get reimbursement. She said they are asking us to jump through many more hoops this go around than any of the previous storms and it has been kind of annoying. That is why she is requesting not only that the Board approve the Agreement, but to authorize the Director of Utilities to execute any subsequent amendments to this agreement

moving forward. She expects them to only be differences in amount and may only be a couple of pages long.

Mr. DeIulio asked how it will affect the budget as we receive more money.

Mrs. Penick said we take the money and say thank you very much. She said we have not included the reimbursements in the budget at all, they have been left out completely. It has been quite a struggle to recoup the monies due us, they are much more like insurance companies than back in the Frances and Jeanne days. They are doing everything in their power to not pay us. Part of what queued us to do this after the agenda was prepared and before the meeting, was on Monday we had additional amounts obligated. Already between the times we prepared the item and today, the amounts have changed. We have not seen the amendments yet, but they obligated additional money. Mrs. Penick said her understanding is yes they have obligated more money, but they have also tried to remove money that we got insurance reimbursements for other storms. She said the bottom line is they are doing everything they can to not pay us and we are going to do everything in our power to get paid, fight for every nickel.

Mayor Hudson said this is not unique to FPUA.

Mrs. Penick said she doubts it.

Mayor Hudson said they have not just singled FPUA out.

Mrs. Penick said she does not think so.

Mayor Hudson said so when Mrs. Penick says they, is that the Division of Emergency Management or the Feds. She asked if somebody that is preparing paper work will come to FPUA that says now we are going to send you $30,000 and now we are going to send you $40,000 and it is going to be based on something FPUA can understand.

Mrs. Penick said that is exactly the problem is we submit the documents on line and if they misinterpret what we have submitted then we have to then say that is not right, you have deducted amounts inappropriately. She said or we may not be authorized to pay for something and will not get reimbursed for it, it goes both ways.

Mayor Hudson said we prepared one document for $1 million and she asked if we are going to get back a bunch of documents that is chopped up somehow.

Mrs. Penick said it is not one big document where we submitted and she is not even sure that all the documents have yet been submitted. She said we are still working on getting all the documents together they have asked for. They ask for things like all of our insurance policies, all of our purchasing policies, and basically all they are doing Mrs. Penick said she understands why they are doing it. They are just making sure FPUA is following our own procedures. As long as

we have followed our own procedures, we are usually golden in terms of getting reimbursed. When we say they are obligating more money, it means they are obligated to pay us, but it has been cut short by reimbursements from previous storms where they were deducted there. Staff has to sort through it.

Mayor Hudson said she believes that is called claw back where FEMA is trying to get money that has already been reimbursed to you. She said they are trying to get it back.

Mrs. Penick said they have not paid us yet. She said this is not even money they have already paid, they do not want to pay us in the first place.

Mr. DeIulio asked if Mrs. Penick anticipates that when everything is settled up, would she present the final settlement numbers to the Board.

Mrs. Penick said we certainly can, we have not in the past. She said we did not do that for Frances, Jeanne or Wilma, although they have all been closed out in about the last two months.

Mayor Hudson said we may not be around.

Ms. Cavalcanti said we just got Frances and Jeanne.

Mrs. Penick said we have also received Wilma.

Ms. Cavalcanti said they were in 2004 and we are in 2019 so she does not think any of the Board will be here.

Mrs. Penick said we could try to do that for Frances and Jeanne, those storms it was much more money than these are. She said if we are entitled to the reimbursement, we certainly want to take advantage of that so the ratepayers are not paying for things they do not have to.

Mr. DeIulio said his concern is if we take what you are suggesting to do is for the Board not to be involved in the updates and all that, it would still be a good idea when everything is finalized to make some kind of presentation.

Mayor Hudson said or a status every three months or every six months.

Ms. Cavalcanti said we have only received two payments so far.

Mrs. Penick said that is about where we are at for those two storms at this point. She said we have gotten very little from them and actually she does not think they are going to pay the $30,000 that is in this agreement until this gets signed. We have only received a small amount for Matthew at this point and they are both debris.

Ms. Cavalcanti said another good point as to why we have reserves. She remembers going down to last year's conference at FMEA and listening to the people out of Key West with their big loans they had to get.

Mrs. Penick said in 2004, FPUA had to take out a pooled loan with FMPA to cover some of these costs initially. She said at that time FEMA was pretty good about paying for the utility related costs, the debris related costs, and the emergency protective measures. What we have just finalized out are the cost that were partially shared with insurance. The Florida Municipal Insurance Trust, which FPUA is a part of and the City is a part of, they do not function the same way standard insurance companies. It is a trust, not an insurance company and they had a hard time with that. They ended up running us through the entire process before they even paid us where many other organizations submit for the money, get the money, and then the claw back kicks in. We had not even received those funds because we did not want to double dip. We finally got our money anyway.

Mayor Hudson said it is a very different world than 2004. She said if you think about all the storms, Harvey and Michael, it is just a different world.

Mrs. Penick said it changed substantially after Katrina, which was the turning point.

Mayor Hudson asked if Mrs. Penick wanted an all in one motion to approve this item and then approve going forward to authorize the Director to approve with regular status reports.

Mr. Tompeck said with future amendments to the agreements.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve the Federally-Funded Subaward and Grant Agreement with the State of Florida, Division of Emergency Management, of Tallahassee, Florida for reimbursement of costs incurred related to the debris removal and clean up after Hurricane Irma (DR4337) and authorize the Director of Utilities to execute any subsequent amendments to this agreement moving forward and have regular status reports.

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Javy Cisneros, Director of Utility Support Services, said he was here to request the approval for the purchase of single-phase pad-mounted transformers not to exceed $410,000 annually from Central Maloney, Inc. for the period of August 6, 2019 until August 5, 2020 with an option to renew yearly thereafter until December 2023, which is the expiration date of this bid. He said Central Maloney was the awarded bidder through the FMPA Joint Purchasing Project, which is a valuable service provided to its members at no cost. FPUA currently has 36 single phase pad-mounted transformers in stock. Since 10/1/2018, we have issued 65 single-phase pad-mounted transformers with a total cost of $162,000.

A motion was made by Mr. DeIulio, seconded by Mr. Matthews, and unanimously carried to approve the purchase of single-phase padmounted transformers for inventory in an amount not to exceed $410,000 annually, from Central Maloney Inc., of Pine Bluff, Arkansas, through the Florida Municipal Power Agency Joint Purchasing Project, through December 2023, with an option to extend beyond that date by mutual consent.

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Mr. Cisneros said he is here to request the approval for the single source purchase of Elster American Natural Gas Meters in the amount not to exceed $276,769.61 from Devtech Sales, Inc. for the period of August 6, 2019 to August 5, 2020. He said it is important to note that Devtech is the exclusive Florida distributor for these meters. As a result of FPUA's AMI bid, the selected vendor was Elster. So in short, we are preparing for the future with replacing existing meters as needed and installing new meters from our selected vendor, Elster. FPUA currently has 118 gas meters in stock and since 10/1/2018, we have issued 163 single-phase pad-mounted transformers with a total cost of $93,000.

Mayor Hudson asked if this is part of our AMI.

Mr. Cisneros said yes it is.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve POA 14-54: The single source purchase of Elster American Natural Gas Meters in an amount not to exceed $276,769.61 from Devtech Sales, Inc. of Avon Park, Florida.

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Larry Lammers, Electric & Gas Engineering Supervising Engineer, presented Amendment 1 to the Electric Underground Unit Price Contract with MasTec North America. He said staff is requesting the Board approve an amendment to our existing electric underground unit price contract to allow them to spend $700,000 annually with MasTec. This is up from the current contract, which only allows us to spend $500,000 per year. Mr. Lammers said the reason for this is because of the significant increase in the property development we have seen. He said every time a property developer comes and develops one of those parcels, usually there is a significant amount of money invested into the electric system and they almost 100% of the time install underground electric facilities. It pretty much boils down to a typical year for electric, we will spend anywhere between $200,000 and $350,000 with MasTec under this contract. Because of the increase in the development, we will spend significantly more than that this year.

Mayor Hudson said the good news is we are going to have more development and the bad news is we are going to have to spend more money.

Mr. Mimms said you are increasing your contract amount $200,000 and asked how much has been spent thus far based upon your initial contractual engagement.

Mr. Lammers said that is a good question and he thinks they are at about $480,000 spent right now and we have about $80,000 worth of outstanding invoices that we just received.

Ms. Cavalcanti said then you need it.

Mr. Lammers said we definitely need it.

A motion was made by Ms. Cavalcanti, seconded by Mr. Matthews, and unanimously carried to approve ITB 17-06: Amendment No. 1 to the Electric Underground Unit Price Contract with MasTec North America, Inc., of Coral Gables, Florida, to increase the not-to-exceed contract amount from $500,000 to $700,000 annually, effective August 7, 2019.

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Mr. Mutterback said he is here today to present a specific authorization with Culpepper & Terpening (C&T) to provide survey, design, and engineering services relating to the Digiorgio Sanitary Wastewater Project. He said the Digiorgio project will bring wastewater services to the industrial area adjacent to Digiorgio Road, Enterprise Road, and a portion of Bell Avenue and connect to the existing force main on US-1 near the Highpoint Development entrance. The design services detailed here as part of the Digiorgio Sanitary Wastewater project are to be ultimately funded by the Department of Economic Opportunity's (DEO) Florida Job Growth Grant awarded to the City of Fort Pierce and fully executed on June 28, 2019. Once completed, this project would provide sewer access to 37 industrial parcels, 22 of which are currently served by existing businesses. This particular area is also home to 13 vacant parcels and over 52 acres ready for economic development. Disbursements to C&T are anticipated to span three fiscal years, with FY 2019 and FY 2020 accounting for approximately $185,690 to cover survey, subsurface utility exploration, preliminary design, DEO grant reporting assistance, final utility construction plans, permitting, and assistance with bid coordination. FY 2021 disbursements of approximately $32,540 will cover Engineer of Record services during construction, agency certifications and turnover of utilities. Mr. Mutterback said this project is of upmost importance to Natalie's Orchid Island Juice Company, an existing customer of FPUA and a major utility consumer who has purchased property and looking to relocate into this area off Digiorgio Road. He said the availability of wastewater services is paramount into making their relocation possible, so therefore this project is a priority for FPUA staff and is being treated as such. We are working closely with Natalie's and Culpepper's staff in order to meet the demands of their project timeline. Currently, the estimated time of completion for the wastewater system to be available is July 2021. However, any and all measures will be taken by FPUA staff and Culpepper and Terpening to meet or exceed time estimates listed within this specific authorization to expedite the project timeline. The supply agreement with Natalie's associated with this project will be brought before the Board in the near future. Culpepper and Terpening are ready to get started with this project, and we are excited to be able to expand our available services in this area to encourage growth and new development in the community. Therefore, staff recommends the approval of Specific Authorization No. CT 19-04 with C&T in the amount of $218,230.

Mayor Hudson said she is really happy that you see how important this is and knows Mr. Mutterback knows that. She said they are chomping at the bit and this is great news.

A motion was made by Ms. Cavalcanti, seconded by Mayor Hudson, and unanimously carried to approve POA 14-53: Specific Authorization No. CT 19-04 with Culpepper & Terpening, Inc., of Fort Pierce, Florida, in the amount of $218,230 to provide survey, design, permitting, bid assistance, Engineer of Record assistance, and post construction services relating to the Digiorgio Sanitary Wastewater System. This Specific Authorization shall commence upon Notice to Proceed and end upon final acceptance by FPUA, contingent on receiving required Certificate(s) of Insurance.

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Paul Jakubczak, Director of Electric and Gas Systems, presented the FPUA Electric Reliability update through June 2019. He said this is the 12-month rolling average for reliability statistics ending June 2019. The first statistic to look at is SAIFI, which is the average number of outages a customer of FPUA can expect to experience over a 12-month period. We are running at .564, which is a little over ½ /outage per customer per year. At the recommendation of the Board, we put this table in numerical order to show that currently FPUA sits fourth from the top for all the municipalities that participate in the reliability study in the State of Florida. The second number is CAIDI, which is if you experience an outage, how long will that outage last. Currently if you experience an outage you are looking at about 43.78 minutes and this is continuing to trend down. This is a great dedication from our staff to our customers. Mr. Jakubczak said an instance of our dedication and our time to restore power, a couple of weeks ago during the lightning storms we lost the Totten Substation that took out about 3,000 customers on the west side of town. That entire outage was restored within 28 minutes so that is to give the Board some ideas as far as what the dedication of our staff is. As shown, FPUA is moving up the charts and are second from the top for all the municipalities for the duration of outages. The last number we look at is SAIDI, which is basically the same duration of outages across our entire customer base regardless if they were affected by the outage or not. This number is about 25 minutes and the other one was about 43 minutes. The good news is FPUA is now at the top, which is a good thing for us; however, now we have a bullseye on our back to try to maintain that level. The next chart is a 2018 calendar year-end comparison between where FPUA falls with the other Florida municipalities as a whole and the other investor-owned utilities throughout the state. Mr. Jakubczak said in our strategic planning session, we set some goals for FPUA to maintain for reliability on our system. He said all the numbers in the green show FPUA is meeting their goals and we are still going to strive for excellence. The next presentation the Board will see is going to talk a little bit about what we are doing to strive for that excellence to keep the lights on.

Ms. Cavalcanti said congratulations.

Mayor Hudson said it looks good.

Mr. Jakubczak said it is a big team effort.

Mr. Bey said good work.
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Mr. Tompeck said next we have two presentations. He said these two presentations on storm hardening and transformer replacements were two of the presentations we did not have a chance to get to during strategic planning. They are important because they are going to use up about approximately $1 million per year between the two of them. He wanted the Board to get a chance to preview these and see what we are doing.

Larry Lammers, Supervising Engineer and Eric Meyer, Electrical Engineer of Electric & Gas Engineering presented the Storm Hardening and Transformer Replacements projects. Mr. Lammers said he is going to give a presentation on FPUA's storm hardening plan and then following up right after that his co-worker he has the pleasure of working with Eric Myer is going to give the presentation on our transformer replacement plan. He said serving the City of Fort Pierce with electricity, we need to ensure we have a storm hardened electric system in place. The picture displayed is a picture of a pole that was blown over from one of the hurricanes in 2004. Not only did FPUA incur damage and costs associated with this, but also the owner of the convenience store on 25th Street and Avenue D incurred damage and significant costs associated with this as well. Mr. Lammers said this has really become a highlight for electric utilities in Florida, especially after the major hurricanes of 2004 and 2005. He said because of those major hurricanes that hit the southeast of the United States, the Department of Energy (DOE) did an investigation. In 2010 they came out with a report that basically said as the electric industry as a whole, we need to do a better job of protecting our distribution systems against wind and flood damage. In addition, we need to start investing money into modernizing the grid and building smarter infrastructure. Mr. Lammers said in conjunction with that report, the Florida Public Service Commission (PSC) required after those storms that every electric utility in Florida submit a storm hardening plan to the PSC and we have to give an update to them on the storm hardening plan and its progress every year. He said other utilities around the State and even around the nation have really taken storm hardening seriously. T&D World, a nationally published electric utility magazine indicated that FPL since those storms has invested $1.5 billion into hardening their systems. Con Edison was also hit with a major storm, Superstorm Sandy, and they kind of pulled a page out of FPL's playbook and are investing heavily into their systems as well. They do not want to experience the same kind of damage and outage times they had. Locally here in Florida, two municipal utilities, Beaches Energy and Keys Energy who are both coastal utilities just like FPUA, have really taken the bull by the horns. Beaches Energy has decided to completely underground their electric system. Keys Energy does not have the option to underground their system because they have a lot of rock and poor soil to dig in. They decided that 100% of their poles are going to be and are working hard to make them ductile iron. They are the most resilient type of poles against storms, but also the most expensive.

Ms. Cavalcanti asked what kind of pole he mentioned.

Mr. Lammers said ductile iron poles are a type of metal and the reason it is better than concrete, which is what they were installing is because concrete is reinforced with steel, but the steel does not hold up well under salt water conditions. The poles were starting to corrode and break the pole chunks away. At FPUA we have a lot of experience with hurricanes so the next four pictures to be displayed are all damage caused by the 2004 hurricanes. They show a broken transmission pole with a distribution circuit under it. The next picture highlights how well metal and concrete poles perform under hurricane conditions. You can see the pole line is not even leaning over and it withstood the wind even though the pine trees were not as successful. The damage from Irma and Matthew was not as extensive and the storms were not as intense plus FPUA has made progress towards hardening the system already. There are some distribution poles shown broken. The last two pictures show damage to electric services on residential homes and this really is something if we can help mitigate, Mr. Lammers believe we should be investing into this. In this situation these electric services get damaged and we cannot re-energize the service. We have to cut the service away before we can go energize the lines, and then resident or renter has to get in touch with the owner. They then have to hire an electrician to fix the service and then after that is done where they have incurred that costs, then we can go out there and re-energize the service. During FPUA's last storm restoration effort it was heartbreaking to go up to some of these homes and people are excited because they think they are about to get their electricity turned back on. We have to tell them we are sorry, we cannot do this for you especially where there was one incident that was a single mom. She was not the homeowner and had to get in touch with her landlord and he was going to have to coordinate everything. What is she supposed to do in the meantime with not having any electricity in her home?

Mr. Lammers said some of the damages that the Finance Department helped come up with the cost and did warn him they are rough estimates because the exact costs are difficult to calculate specifically. These are damage associated with the electric system. Frances and Jeanne both had about $4.5 million damage just to the electric system, Matthew was about $500,000, and Irma almost $1 million. Some of FPUA's options are to upgrade structure and wires, convert overhead to underground, get more aggressive with our vegetation management and pole inspection, and we can start investing in modernization. Mr. Lammers said staff is recommending we make our main lines stronger and replace open wire services. He said the open wire services in our experience break pretty easily under high wind conditions and seem to be a large majority of the problems we have associated with wind damage. We can strategically underground lines, but we do not think the best thing for our ratepayers to underground every line because it is cost prohibited. There are some situations where it really does make since and is the best thing to do for our customers. Lastly, grid modernization is the final recommendation and this is FPUA putting a system in place that makes smarter decisions automatically.

Mr. Lammers said the next slide shows a trip saver and it helps keep more customers in service and saves money in the long run. He said FPUA has gotten more aggressive with pole inspections and have been replacing poles on a very consistent basis at a higher rate than we have in the past. If we move forward on everything that we want to do as it relates to storm hardening, the total program will cost us around $13 million. The City Commission did approve our Capital

Improvement Plan last night and in that plan was $500,000/year dedicated specifically towards storm hardening. Staff is proposing during years six through ten, we up that and start spending $2 million/year on storm hardening. That will give us a storm hardened system within an implementation time of ten years. Mr. Lammers said we are doing things to harden our system now, but at the rate we are going, it is about a 50-year timeframe to get where we think we should be.

Mr. Myer said he has the pleasure of working with Larry in the Electric and Gas Engineering Department. He said power transformers are devices FPUA uses to pull power from the transmission system down to the distribution level system so it can be served to the electric customers of FPUA. Each power transformer serves 2,350 FPUA customers on average and there are two power transformers at each distribution substation. This is for two reasons, power contingency for backup and power availability. If FPUA has an outage to the power transformers, we have limited contingency and limited availability, the worse being two transformers out at the substation. The slides show some examples of the situation seen with our power transformers showing degradation where there is salt penetration and some weather events that have caused the paint to deteriorate on the transformer. The next picture shows loading and structural conditions, with the transformer being an oblong type device so there are different weights in different areas of the transformer. This can cause damage to the transformer pad over time making the liability slightly worse. Insulation and oil deterioration happens over time where oil becomes less able to insulate against the electricity and causes issues in the transformer. The number of fault events is the number of short circuit events that we see on our power lines such as from a public accident or from animal contact. This causes short circuit on the transformer and can weaken it over time.

Mr. Meyer said the graph displayed shows the age of FPUA's transformers that are in service. He said there are eight transformers that are over the 25-year mark and that is a mark that indicates the transformer needs to be monitored for use or liability purposes. A 40-year mark, which is indicative of end of useful live commonly in the industry. We have two transformers that are approaching that 40-year mark. The Dissolved Gas Analysis (DGA) and Screen Moisture Test was done on one of FPUA's older transformers as shown on the picture displayed. The condition codes range from one to three with three being recommendations being issued, two being monitoring the unit, and one is no recommendation (green, yellow red). Mr. Meyer said on this transformer, we have had a steady progression on one of our older ones from yellow to red. He said options and recommendations for substation power transformers, FPUA has two options. Infrastructure replacement which is the replacement of the substation power transformers and this will result in a new and improved equipment, technological advancements, and maintenance mitigation. The other option is a comprehensive field maintenance plan so the transformers we do not plan on replacing, we can maintain them. Some examples of maintenance we could do are oil filtering and refurbishment. Enhancement of maintenance programs can also be done if it is deemed necessary.

Mr. Meyer said the proposed future schedule for substation transformers is Board approval in September 2019. He said the replacement for substation power transformers in this schedule, there is transformer design occurring in spring and summer of 2020 and the anticipation of delivery in winter of next year. Following that will be the installation in the winter of 2020 and 2021. FPUA's plan is to purchase one power transformer per fiscal year over a six-year period and subsequent power transformers will follow a similar schedule as above for future fiscal years. This presentation is for information only, but they would be happy to answer any questions from the Board.

Mayor Hudson said it is obvious going back to the other slide that FPUA would replace the oldest ones first.

Mr. Meyer said tentatively that is the plan, but it is also based on other factors too. He said the Dissolved Gas Analysis and the Screen Moisture Test will give us an indication of which ones need to be done first. In that example that was one of the older ones we did have so it would be a good candidate for a replacement.

Mr. Matthews said he understands there are two transformers that have reached almost 40 years.

Mr. Meyer said yes they were almost 40 years old, they are 39 years so very close to that limit.

Mr. Mimms said he thinks that was a great presentation and great initiative. He said you have a 10-year period with the storm hardening and if the City can get the information as far as the geographic location of the intended improvements, we could definitely work together. Mr. Mimms said they have an infrastructure program the City has that the voters approved a 1/2¢ sales tax infrastructure program. He said maybe we could work together and he thinks FPUA has something very good in the works here and asked that they communicate with them.

Mr. Lammers said he would.

Mayor Hudson said that would be great.

Ms. Cavalcanti said on the one house that had the riser down and she asked what the solution was for fixing that, is it underground utilities or is there something new on the market for that. She said she actually had that on one of her rental houses.

Mr. Lammers said there are two major ways FPUA can help alleviate that issue. He said one is depending on the customer to make sure the vegetation gets trimmed and that is difficult to keep up in most instances. Mr. Lammers said what he would recommend and they believe is the best solution is for FPUA to aggressively underground services. He said one of the issues they have run into in the past with trying to do that is on homes that are a little bit older where electric services were not large and did not have the capacity to run everything typically run in a home,

there is no room to turn the conductors up and over into the meter can as is needed. FPUA has been working with the Building Department and Mr. Paul Thomas has been great to work with. He is very busy and hard to get a hold of, but once we do, he is great to work with. We have come up with a solution we believe is beneficial to the resident and very cost affective and are very optimistic we can start to really underground those services and alleviate that problem from happening in the future.

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Barbara Mika, Finance Controller presented the Bill Comparisons for the Month of May 2019 and the update on the comparison of electric rates and the local utility bills. She said the first graph displays the comparison of residential electric rates at 1,000 kWh of consumption for the month of May for the 13 municipal utilities in the State of Florida that are members of the "All-Requirements Project". Members of the All-Requirements Project, FPUA benefits by operating as part of a larger group of cities with lower operating costs and the ability to plan for future operations with lower risk. In this graph it is easy to see where FPUA ranks among the 13 ARP participant and FPUA has the 6$^{th}$ lowest rate of this group. The next graph displays the May comparison of Florida Residential Electric Rates for the same level of consumption and includes all of the municipal utilities in the state. The data for all these graphs has been compiled by Florida Municipal Electric Association (FMEA). FPUA's May bill for this level of consumption remains unchanged. Our standing among the other municipalities in this graph is exactly where we were when this was last presented with the March data. Mrs. Mika said that what has changed are the averages for the ARP and the Municipal utilities. She said the big changes took place in April with rate increases for Jacksonville Beach of $26.84, Havana of $22.45, and Starke of $8.92. All three of these cities are part of the ARP group which caused an increase in the ARP average of $5.01. The municipal average also increased from March by $1.85. Rates are looking a lot more consistent and competitive right now and the difference in rates from FPUA and the four cities to the left is less than $1.50. FPUA's rates are below all three averages shown in the graph at $111.84.

Mrs. Mika said the next graph displays a similar comparison of municipal utility bills within the State of Florida for the consumption of 2,500 kWh. She said in this comparison, FPUA's May bill remains unchanged since March at $282.30. The scenario is the same as with the 1,000kWh comparison. Rate increases have driven the average ARP bill up by $12.52 and the Municipal average by $4.35. FPUA's rate for the 2,500 kWh bill is below the ARP and IOU averages for the month of May. FPUA's May bill at this level of consumption remains lower than the average bill for the Investor Owned Utilities operating in the State of Florida by 13%. The table displayed before you now is the May comparison of the average residential utility bills on the Treasure Coast. The comparison includes the bills for electric, water, and wastewater services that a residential customer with average consumption would have experienced if they resided in one of these service territories. In this comparison, electric services are provided by FP&L for all bills except for the first column which represents customers within FPUA service territory that are inside city limits. These average bill totals include all of the taxes and fees that are applicable in each of these municipalities and have been verified to actual or historical bills. Since this item

was last presented for the month of March, FPL has had a change in their rate structure which caused a slight increase in rates in the electric bill for the five cities shown and impacted the average bill to their customers by less than one dollar. Vero Beach's bill for water and wastewater services is showing as having a slight increase. This is because the bills that we had been using in the comparison prior to this were not actually inside city. Bills previously used in this comparison were for the unincorporated area of Vero Beach. On the last page of your agenda item the "Utility Bill Tax Explanation" we had information in there that leads us to believe the utility tax for inside the city is 6%, but in reality it is 10% of the water portion of the bill. The fluctuation is only up approximately $1, but now we have inside City water rates, not the unincorporated rates. Mrs. Mika said this item is for information only and requires no action on the Board's part. However, if you have any questions I would be happy to address them.

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Nina Penick, Director of Financial Services, presented FPUA's Bond Rating by Fitch Ratings, Inc. She said every other year, Fitch Ratings contacts FPUA via email and reviews what is going on in Fort Pierce. She said they want to know what is going on and how FPUA is doing relative to the rest of the world. It is kind of a different perspective when you are talking to the people in New York City, but the good news is after their review on July 23, Fitch announced they have affirmed FPUA's bond and Long-term Issuer Default Rating at A+. FPUA is still an A+ with a Stable Rating Outlook. Mrs. Penick said she does not know why staff has not presented this to the Board in years past because she thinks it is something we need you to be aware of. They provide us with a press release, which really provides a lot of insight about how the outside world views Fort Pierce. She thinks it is pretty interesting reading, but she is an accountant. We have maintained our bond rating and it will become important to us when we go to the bond market and we just need to continue to do what we are doing and we will be just fine. Mrs. Penick said we are also rated by Standard & Poors (S&P) and she was somewhat surprised because it has been three years since we have heard from them. She said they have contacted us and will be doing our rating in the upcoming month. Hopefully they will do the same and it would be nice for an upgrade. It is good to hear the outside world thinks we are doing as well as we think we are doing.

Mayor Hudson asked if the actual press release is what is in their Board packet.

Mrs. Penick said yes it is the actual press release.

Mayor Hudson asked if that is what Mrs. Penick thought was interesting reading.

Mrs. Penick said yes, it is actually on their website too.

Mayor Hudson said she thinks they publish it on social media and thinks she saw it there.

Mrs. Penick said yes.

Mayor Hudson asked what the S&P rating is right now for FPUA.

Mrs. Penick said she does not know right now off hand.

Mayor Hudson said we will know when we find out what they say about us.

Mrs. Penick said she believes it is AA, but is not sure. She said hopefully they will see FPUA as good as well.

Mayor Hudson asked if they actually come here.

Mrs. Penick said they do not. She said they contact us, then send us a list of questions, we respond to the questions, and then we have a rating call with them. Both are done the same way. Then whoever spoke with us, goes to a committee in New York and they discuss the pros and cons, the good, the bad, the ugly, the pretty, and the changes. She cannot help but think back to the days when Frank Varella was here and they actually went to New York City to talk to the rating agencies. Mrs. Penick said she has not done that since she has been here. She said at that time, they were so excited we had gotten a new Popeye's.

Mayor Hudson said wait until they hear we have a Chick-fil-A.

Mrs. Penick said we have a Chick-fil-A and are working on Starbucks, Wawa, and we are moving up in the world. She said it may sound ridiculous, but we have only had minimal growth over the years and it is really good to see.

Mr. DeIulio said yet in this report they are saying under the key rating drivers, little or no growth is expected. He said that is something we may not agree with.

Mrs. Penick said they are very focused on the electric system, most all of this is focused on the electric. She said we tried our best to tell them about our water and wastewater system, particularly water where we are expanding. They are talking about the electric system, which is limited by the agreement with FPL and our Service Territory Agreement that is where they are coming from. Obviously the electric system is the biggest system we have within the utility.

Mr. Bey said our electric system will grow as a result of the new building we have coming in.

Mrs. Penick said only in our territory and only if there is growth within our territory, our territorial boundaries are fixed.

Mr. Bey said we cannot go outside that.

Mrs. Penick said any infill when we have people moving into vacant properties, those are the things we like to see.

Mr. Bey said we may have a lot of internal growth that will expand this coming up.

Mrs. Penick said we are certainly hoping so.

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Mrs. Penick presented the Financial Operating Results for May 2019. She said before she gets started on May operating results, she would like to follow up on a request that was made a year ago. When we made a modification to the Capital Improvement Charge (CIC) Resolution, we designated 10% of those CIC designated toward the relocation of the Island Water Reclamation Facility. As an update, to date that number is $91,755.67 and these are restricted funds that have been set aside for that purpose and it is only since December 1st.

Mrs. Penick said May Financial Operating Results is eight months into the year and our operating income is actually up, it was not in the last report. She said our capacity reductions are down the very same amount it was two months prior at $473,000. Basically all the presentations, both the bill comparison as well as the financial results and the PCA, you may notice we skipped one month because of the cancellation of the meeting. We are fast forwarding a little bit. The increase in operating income is due to increases in operating income, when compared to FY 2018, which is primarily due to increases in residential and general service sales, offset in part by increases in general and administrative and field operations expenses. Our year to date in net position after the distribution adjustment was $2.3 million and that is up $1.2 million from last year. We are doing better than we were last year.

Mrs. Penick said taking a look at each of the systems individually, in the electric system, the revenues are up 3% over the 2-year period and the consumption is up 4%. She said on the water side, the water operating revenues were down 3% from FY 17 to FY 18, but have bounced back 7% from FY 18 to FY 19. The consumption is flat on the water side even with all the new customers we brought in for the eight-month period, we are not seeing it. It was down 3% and then back up 3%. Most of the changes in the operating revenues are a result of the capacity reductions that either existed or did not exist in the various years. On the wastewater side, the operating revenues jumped 7% from FY 17 to FY 18, but are back down 1% from FY 18 to FY 19. This was very much affected by the capacity reductions and the billings are almost completely flat from FY 17 to FY 18 and up 1% from FY 18 to FY 19. The Gas System revenues for the two-year period are up 6% overall and the consumption is up 10% overall. The gas contract consumption was actually down 2.6% and that resulted in a 2.9% decrease in contract revenue. Nevertheless, revenues are up and consumption is up so this is good even if the contract customers are not contributing to it.

Mrs. Penick said the measure of FPUA's overall health we like to show with our debt service ratio being 3.07 for the 12 months ended May 2019. She said that is more than double the 1.25 required by FPUA's bond covenants so it is very consistent and healthy. This is an information only item and requires no action from the Board, but she would be happy to answer any

questions.

Mr. Bey thanked Mrs. Penick.
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Mrs. Penick presented the Status Report on Electric Power Cost Adjustment for June 2019. She said this is June's power cost and updated projections through June 2020. As you are aware, the power cost adjustment, or PCA, is the mechanism by which FPUA recovers power costs that are in excess of the $79.52 base power cost, which is included in the base rate. The cost of power purchased from FMPA for the month of June was billed to FPUA at the rate of $75.68 for 1,000kWh, a decrease of $2.65 as compared to May. The over-recovery from the customer for the month of June totaled $28,118. The cumulative over-recovery has decreased to $2,765,989 as of June 30, 2019. In the displayed chart, the bars depict the balance of the PCA over-recovery, and dark blue line depicts the PCA. The blue bars represent actual amounts and you can see how the over collection has been decreasing. The orange bars depict what the over-recovery would be if the projections are correct. These projections are prepared by Public Resources Management Group, which in turn are based on projections prepared by Florida Municipal Power Agency. Since April's forecast, FMPA's estimate of the price of purchased power for the upcoming 12 months decreased 3.5%. Any possible change in the Power Cost Adjustment (PCA) will be presented for your consideration at the August 20th Board meeting. Mrs. Penick said we really could not do it at this meeting because we are too far into the month of August. She said when we do a change to the PCA, it has to be early enough in the month so all customers get the same PCA for that month. That is the only downside of cancelling those meetings. Stay tuned and Mrs. Penick said she is optimistic, but was not optimistic a couple of months ago. It looks like we might be able to do something there. No change is recommended at this time, but if you have any comments or questions, she would be happy to address them at this time.

Mr. Tompeck said we have all had a chance to see how the pre-purchased gas agreements that FMPA has entered into will affect the rate. He said he thinks it is going to be positive, the price of gas has been in the ball park of $2.25 dekatherm. We are getting discounts on that gas as well.

Mr. Bey thanked Mrs. Penick.
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Mr. Tompeck said the City Commission unanimously approved the FPUA FY 2020 budget and the amended FY 2019 budget at the Commission meeting last night.

Mr. Tompeck said at the last meeting Mr. Matthews asked about the reimbursements for Hurricanes Matthew and Irma. We talked about that a little bit and by our accounting a total of $617,000 is owed to FPUA for Mathew and we have received about $72,000 to date. For Hurricane Irma we anticipate a total reimbursement of about $1.1 million. As we discussed, no reimbursements have been received yet, but we have received the commitment for the debris cleanup of about $30,000.

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Mr. Matthews said he has three eye-opening concerns. He said the first one is that he read where we do some advertisement and is wondering why we need to. It is not much money, but the fact is on advertisement.

Mr. Tompeck said we do advertise in some of the local publications, playbills, and that kind of thing to promote FPUA. He said it is similar to the same kind of thing FPL would do or any other municipal utility would do. We have been trying to advertise some of our optional services like the FPUAnet and natural gas. That is a normal business practice for us and we do have money allocated in the budget each year for that kind of advertising.

Mr. Matthews said he read that Amazon is coming to St. Lucie County and asked if it was in our service area.

Mr. Tompeck said he does not think it is in our electric service area, but it is in our water and wastewater service area.

Mr. Matthews said some time ago there was a situation in Port St. Lucie about interruption and damage of a gas line. He asked if FPUA is prepared if something like that happened in the City of Fort Pierce to deal with it through our legal department to make those companies take care of the damages that have actually occurred. The traffic had to be re-routed and people could not be served. Have we learned from their experiences?

Mr. Tompeck said the answer to that is periodically we have contractors that will bore through one of our lines and it causes an interruption. He said we do go back to those contractors and recoup our costs the best we can. Sometimes we can and sometimes we cannot. Because of the Department of Transportation Regulations on natural gas, we have a Public Awareness Procedure we have to follow. We have to go back if there are some bad players that go through our lines often and we have a couple that have done it more than once, we go back and retrain them and make sure they are retraining their people. Mr. Tompeck said we had cases like that before and have taken care of them.

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There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN