MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, November 20, 2018, 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; Barbara Mika, Acting Director of Financial Services; Paul Jakubczak, Director of Electric & Gas Systems; Bo Hutchinson, Director of Water/Wastewater Systems; Javier Cisneros, Director of Utility Support Services; and Lois A. Wolfe, Human Resources Manager.

The meeting was called to order by Chairman Bey.

Opening Prayer was by Christelle Myrick of Water Distribution.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

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Chairman Bey asked if there was anything to be removed or added to the agenda.

Mr. Matthews said when we come to the consent agenda, he would like to pull for discussion Item D1.

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 Ms. Cavalcanti, seconded by Mr. Matthews, and unanimously carried to approve the Minutes of the Regular Meeting of November 6, 2018.

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A motion was made by Ms. Cavalcanti, seconded by Mayor Hudson, and unanimously carried to approve the Consent Agenda items minus D1 that is being pulled by Mr. Matthews.

2. Approve Budget Transfer Request for Utility Relocations for Florida Department of Transportation roadway project along Kings Highway from SR-70 to White Road in the amount of $47,500 for the Electric System.

3. Approve Post Budgeted Project/Budget Request for System Improvement work to Sea Pointe Towers on South Ocean Drive in the amount of $73,000.

4. POA 18-33: Approve Budget Transfer in the amount of $50,407 for the ESC CNG Station.

5. Approve no change to the Purchased Gas Adjustment (PGA).

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Mr. Matthews said he would like to ask Staff or the Director about three concerns. He said he has found out some information, but not all and asked how long those cables have been underground.

Mr. Tompeck said he has asked Larry Lammers to address the issues if they could be one by one, which would be helpful.

Larry Lammers, Supervising Engineer for Electric and Gas Engineering, said the cable out there in Ocean Village we are proposing to replace this year was installed around 1980, which is about the age of the buildings. It is almost 40 years old.

Mr. Matthews said his second question is what the distance of cable to be replaced is.

Mr. Lammers said one phase is about 2,500 feet of cable and we pulled three cables for each conduit, so the actual length of ditch we dig is about 2,500 feet divided by three. He said another phase is about 1,800 feet of cable.

Mr. Matthews said his last question is, he knows you do not have a crystal ball, but asked what the life expectancy is for a situation like this.

Mr. Lammers said for the cable that was installed then, there has been advancements in the technology. He said the cable that was installed then was projected to be around 25 to 30 years of useful life. The cable to be installed to replace this is conduit and is directly buried into the ground, which means it will see a little bit more harsh conditions. The insulation is superior for the cable that we are about to install so this cable should last anywhere from 35 to 40 years.

A motion was made by Mr. Matthews, seconded by Mayor Hudson, and unanimously carried to approve Consent Item D1, Post Budgeted Project/Budget Request for Cable Replacement at Ocean Village in the amount of $116,500.

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A card was received from Treasure Coast Food Bank thanking FPUA employees for helping with their 4th Annual Pack the House event.

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Barbara Mika, Finance Controller, presented the monthly updates on the Electric Rate Comparison and the Local Bill Comparison for the month of September 2018. She said the graph displayed shows the comparison of residential electric rates for 1,000 kWh of consumption for the month of September for the 13 municipal utilities in the State of Florida that are members of

the "All-Requirements Project" (ARP). FPUA's position stands out and is shown in yellow. As a member of the All-Requirements Power supply project, FPUA benefits as part of a larger group of cities through lower operating costs and the ability to plan for future operations with lower risk. In the graph it is easier to see where FPUA ranks among the 13 ARP participants. FPUA has the 5th lowest rate in this group and at $113.84 is just about on the mark of the ARP average for the month of September. You can also see the results of what the additional $2 reduction will make in next month's comparison with the blue bar. The next graph displays the comparison of all the Florida residential electric rates for the month of September for all of the municipal utilities in the state for the average residential usage of 1,000 kWh. The data for all these graphs has been compiled by the Florida Municipal Electric Association (FMEA). FPUA's September bill for this level of consumption, is down by $1 since August and has improved our standing by four positions. All things remaining equal, our $2 October reduction to the power cost will give FPUA another nice jump in this comparison as shown by the blue line for our October rate. Mrs. Mika said she would like to point out a few items on the billing rate changes that have occurred since August. She said of the 13 ARP participating utilities, eight experienced rate changes with seven of those eight being rate decreases. The average decrease was $3.63 and those decreases impacted the ARP average by lowering it by $1.73. Among the Non-ARP cities, there were five rate changes with four of them being increases averaging $3.36. The graph now displayed is a similar comparison of municipal utility bills within the consumption of 2,500kWh. In this comparison, FPUA's September bill falls below both the ARP average and the Municipal average for this consumption level. FPUA's September bill at $287.30 is 11% lower than the average bill for the Investor Owned Utilities at $322.22. Displayed is the September comparison of local Treasure Coast residential utility bills. Included in this comparison are the total of utility bills for electric, water, and wastewater services that an average residential customer would have experienced if they resided in each of these service territories. The bill totals in this table include all of the taxes and fees that are applicable in each of these municipalities and staff has verified the calculation of these average bills to actual bills. Mrs. Mika said since this comparison was last presented, the electric bill for FPUA decreased by the $1 PCA adjustment. She said the bills for FPL increased by 3%, an average of $2.93 on the bills shown in this table. The bill for electric services for the City of Vero Beach did not change; however, FPUA's electric bill for the same services is lower than Vero Beach by $11.88. There were no changes to any of the municipalities' water or wastewater rates for September. When we look at the overall charge for electric, water, and wastewater services, FPUA customers still experience the lowest utility bill within St. Lucie County. This item is for information only and requires no action however, if you have any questions she would be happy to address them.

Mr. Mimms asked if FPUA has water and wastewater customers outside the electric area within Fort Pierce.

Mrs. Mika said yes.

Mr. Mimms asked if it is possible to represent that graphic in their bill on this comparison as well.

Mrs. Mika asked if he wanted a column added to this chart.

Mr. Mimms said he is just asking because we have customers, residents, and business within the incorporated Fort Pierce that have FPL for electric and they also have water and wastewater through FPUA. He asked if that is something the Board would like to see, he would like to see that.

Mayor Hudson said that would be interesting.

Ms. Cavalcanti said she has a question, for example we have the $38.70 and $48.24 and they pay a surcharge.

Mrs. Mika said outside they do.

Mr. Mimms said if they are inside the city limits they don't.

Mrs. Mika said they are paying a utility tax inside, which is comparable and she would have to check to give you the exact number.

Mayor Hudson asked if we would have FPL.

Ms. Cavalcanti said yes, we would do Fort Pierce with FPL and then FPUA, FPUA and asked if that is what Mr. Mimms is saying.

Mr. Mimms said yes, because we have next door neighbors that have a discrepancy in their bill and one has FPL and one has FPUA for electric.

Mrs. Mika said the only thing she would need is pretty much when we look at these bills for FPL between Port St. Lucie, St. Lucie County, and Martin County, the bills are comparable. She said they are different here because they include different taxes and franchise fees for municipalities. She will have to take a comparison to an actual bill so she can make it apples to apples in the chart and she can certainly do that.

Ms. Cavalcanti said maybe Mr. Mimms would have to ask them to bring in their bill or have a copy of their bill.

Mrs. Mika said what they try and do is find someone within our staff.

Mr. Tompeck said we can find somebody.

Mr. Mimms said he is not going to do that and he would not be knocking on people's doors that is for sure.

Mrs. Mika said that is how she gets all of the comparisons in her presentation, she compares them to actual bills from employees that bring them in and provide bills from where they live. She said they use that to put everything on the same basis and bring it back down.

Mayor Hudson asked if she can tell how many customers that are with that set of circumstances.

Mrs. Mika asked if she means outside the City.

Mayor Hudson said inside the City, FPL, and our water and wastewater, she would like to know that number.

Mrs. Mika said okay.

Mayor Hudson said FPL had a rate increase of $2.62 and asked if that is correct.

Mrs. Mika said it was a 3% increase on the rates, however it affected each municipality differently depending on what their taxes and electric fees were in Port St. Lucie or Martin County, it differed. They all had the 3% rate.

Mayor Hudson asked if our PCA is now -$5.

Mrs. Mika said not in this comparison, but in October.

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Mrs. Mika presented the Power Cost for the month of October 2018. She said she will provide October's power cost and updated projections through October 2019. 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 October was billed to FPUA at the rate of $66.34 for 1,000kWh, a decrease of $3.55 as compared to September. The over-recovery from the customer for the month of September totaled $816,764 and the cumulative over-recovery was $5,107,817 as of October 31, 2018. In the chart displayed, the dark blue line depicts the PCA and the bars depict the balance of the PCA over- or under-recovery. The blue bars represent actual amounts and 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. Estimates of the cost of purchased power is showing slight increases; however, staff is not recommending a change to the Power Cost Adjustment at this time.

Mr. Tompeck said what the PCA that Barbara is showing does not include because she did not have the information at the time because it had not happened yet, was the price of natural gas. He said about a week or so ago it spiked to about $4.85/Dth, which is ~$1.50/Dth higher than it has been trading in the last couple of years. Mr. Tompeck said he talked with Tom Geoffrey and

Jacob Williams and their judgement, which he agrees with, is the traders knee-jerked reacted to some early winter weather in the Midwest. That coupled with the low gas storage numbers, created the upward pressure on the price. The interesting item on this is when we look at Nynex futures, that increased price only lasts through March and April it comes right back down again, which indicates that people think it is going to come down before the end of March or April. Mr. Tompeck said he thinks it is a short-term problem since the metrics for production and forecasts for a mild winter have not really changed. However, if it the numbers persists, we will have to look at the PCA and PGA in December for possible adjustments. He said the good news is when we look at this chart, FPUA has $5 million so we can absorb some pain for a month or two without making any adjustments and that is what we are hoping we can do. In addition, we have the initial money in the rate stabilization fund that was put aside here. Also in the packet under consent was the PGA and Mr. Tompeck said he has a feeling it is going to recover, but please do not hold him to that. Natural gas is really a volatile issue and is not under the control of anybody here, FMPA, or anybody else.

Mr. DeIulio said that was a 50% increase.

Mr. Tompeck said it was a big increase and we have not seen prices like this for a couple of years. He really thinks it is a knee jerk reaction to some early cooling in the Midwest. He said when you are a trader in Houston and it is snowing in November you get a little panicky and most of the traders are in Houston.

Mr. DeIulio asked if they are getting snow in Houston.

Mr. Tompeck said they had some very cold weather there last week, but does not know if it actually snowed. He is hoping it is only temporary.

Mayor Hudson said if Mr. Tompeck could predict he would not be here, he would be someplace else making lots of money.

Mr. Tompeck said he would be sitting on a beach.

Mr. Mimms asked what the rate stabilization fund is going to be used for. He said it is projected to be stagnant for a while and asked if FPUA would be using it.

Mr. Tompeck said if we need to and the Board approves us to go ahead and do that we will. He said it is $1 million where we used some of our unrestricted cash which was designated as a fund if we had a problem with the PCA.

Ms. Cavalcanti said particularly in the summer because in the summer the PCA rate seems to go up. She said it seems like we have cold winters and then all of a sudden natural gas goes up and then it eats down our PCA. Ms. Cavalcanti said she is always against these rate increases in the summer so that is why we have it.

Mr. Mimms asked if the rate stabilization fund would be the first source to balance our costs versus raising the PCA.

Mr. Tompeck said it depends on the Board's pleasure and that is correct.

Mayor Hudson said she thinks that was our thinking when we did this about a year ago.

Mr. Tompeck said we wanted to designate some extra money there to help us in case there is some fluctuation in the PCA. He said he always thought if we have a long term trend, you do not stop it with the rate stabilization program, we would make the change with the PCA. If we really think it is a short term issue, then we would use that.

Mr. DeIulio asked when Mr. Tompeck referred to us making an adjustment approximately in December, are you talking about increasing the adjustment.

Mr. Tompeck said it could be and he is not sure it is going to happen. He said we wait for the rate call from FMPA and of course they did not have this information last time. When they put this into their forecast, he is sure it is going to jump up the rate we are going to get. They purchase about half of their gas between the 20th and the end of the month. Mr. Tompeck said he does not see the gas coming down too much between now and the end of the month. He said it could be $4.20 or $4.30. Unfortunately they have not hedged any gas, whereas our gas supply, we have about 50% of it hedged at different price levels so we do not get hurt quite as bad. We do not have quite the volume FMPA is buying and the biggest variable cost on FMPA's side is fuel.

Mr. DeIulio said we just sit tight for now.

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Mr. Tompeck said Bo Hutchinson and he had a chance to talk with the Department of Economic Opportunity (DEO) on the Job Growth Grant Application last week and talked with Gabe Peters of the DEO. He said there is about $85 million total money to be awarded and $28.5 million has been awarded so far, which leaves about $56.5 million left on the table. We reviewed our application with Gabe and he believes it is statutory compliant, economically viable, and meets the requirements for return on investment. Mr. Tompeck said he thinks Gabe liked our application and will push it as much as he can. There is no timetable for future announcements, but he expects that Governor Scott will want to make all the awards before he leaves office and does not want to leave any money on the table. FPUA is in the best position possible and we will see what happens. A couple of things that worried Mr. Tompeck is they got over $1 billion in requests, so $85 million is not anywhere close to a billion. Also, they have a tendency to spread the awards around the state and there are several applications from this area. One of the awards went to IRSC. We are hopeful and will see what happens.

Mr. Tompeck said FPL is expecting a favorable review from the PSC in mid-December regarding the FPL/Vero Beach sale. He said they plan to close a few days later and are making final preparations for the closing. FPUA's closing on the transmission line would take place within 20 days of that closing. However, we are working with FMPA on possibly closing at the same time as the Vero sale since all the players will be there. With a little bit of luck, we could see our $2.4 million in late December or at the worst if they close on time, mid-January. That segways into our AMI evaluation and are planning on using that $2.4 million as seed money for the AMI. The evaluation was completed last week and Elster/Honeywell was the highest rated company for the award. Contract negotiations will be started with them shortly.

Mr. Tompeck said our new CNG filling station at ESC has been completed and is in final testing. He said once we are completely up and running, he would like for the Board Members to individually go out there where he can show them the CNG station and hopefully putting some compressed natural gas in our vehicles starting next week.

Mr. Tompeck said after watching last night City Commission meeting, he does plan on addressing the City Commission on December 17th if that will fit in with Mr. Mimm's schedule. He will be discussing an update on FPUA's Strategic Plan and hopefully bringing them up to date on water/wastewater issues including regionalization. If there are any other things of specific interest you would like to hear from us, let Mr. Tompeck know.

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Attorney Shevlin wished everyone a Happy Thanksgiving.

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Mr. Mimms said this afternoon he forwarded a letter to Mr. Tompeck in response to the City Commission last night whereby he was directed to forward a request of attendance and participation in the 2019 City of Fort Pierce Strategic Planning session. He said that session begins January 14, 2019 and the City of Fort Pierce would very much like for FPUA to participate to provide recommendations, insights, and any other pertinent information possible to help the City of Fort Pierce along with its strategic planning for their annual action outline for 2019. That letter has been forwarded to Mr. Tompeck and hopefully he will distribute it to this Board.

Mr. Tompeck said he has received the letter, but he has not received the attachment if he could forward that along.

Mr. Mimms said it came later and apologized.

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Ms. Cavalcanti wished everybody a happy Thanksgiving.

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Mr. Matthews said he concurs with that.

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Mr. Bey said a Board meeting ago we talked about making the WEOP presentation to the City Commission and Mr. Winterstein made a great presentation and we thought it was a good idea that it went before the City Commission. He asked if there has been any date set or any movement toward making that happen.

Mr. Mimms said no, he has not been contacted about that. He believes December 17th in addition to what Mr. Tompeck is anticipating to present to the City Commission would be a great date.

Mr. Tompeck said he was planning on including some WEOP information in the presentation if that is okay with the Board.

Mr. Bey asked if they would see the same presentation we saw.

Mr. Tompeck said he is guessing it will be a little streamlined because there are a lot of other things he needs to talk about, but yes it will be just a little smaller. He said he will hit all the highlights.

Mr. Bey said he wanted to wish everyone a happy and safe Thanksgiving.

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There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN