MINUTES OF A REGULAR MEETING OF THE FORT PIERCE UTILITIES AUTHORITY, TUESDAY, DECEMBER 19, 2017, 4:00 P.M., CITY COMMISSION CHAMBERS.

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

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

The meeting was called to order by Chairman Daniel DeIulio.

Opening Prayer was by Richard Mutterback of Water/Wastewater Engineering.

The Pledge of Allegiance was recited.

The roll was called and a quorum declared.

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

A motion was made by Ms. Cavalcanti, seconded by Mr. Bey, and unanimously carried to approve the Minutes of the Regular Meeting of December 5, 2017.

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

1. Approve payment to Traverse City, Michigan in the amount of $36,090.79 for Mutual Aid assistance after Hurricane Irma.

2. POA No. 18-18: Approve the payment to Florida Combined Life Insurance Company Inc. dba Florida Combined Life, of Jacksonville, Florida, for Group and Voluntary Long-Term Disability, Life, and AD&D Insurance for a three year period beginning January 1, 2018 through December 31, 2020 at an annual cost to FPUA of approximately $61,278, based on enrollment.

3. POA No. 17-55: Approve Amendment No. 1 to the Manhole Rehabilitation Contract with Hinterland Group Inc. (Hinterland), of Riviera Beach, Florida to increase the not-to-exceed contract amount from $75,000 to $115,000 annually.

4. Bid No. 18-03: Approve award of bid and Contract for the purchase of approximately 75 tons per year of Hydrofluorosilicic Acid with Harcros Chemical Inc. of Kansas City, Kansas, in an amount not to exceed $30,750 annually for the period of January 1, 2018 through December 31, 2019 with three (3) one-year renewal options, contingent on receiving Certificate(s) of Insurance.

5. POA 18-17: Approve the BlueMedicare Group Master Agreement with Blue Cross and Blue Shield of Florida, Inc. (BCBSF) dba Florida Blue, of Jacksonville, Florida, for the provision of Medicare Supplement plans to the retirees of FPUA. The premiums for these plans are fully paid by the retiree. The term of this agreement will be from January 1, 2018 through December 31, 2018, with unlimited automatic one-year renewal options.

A letter was received from Ronald Engel of Family Meals thanking Nancy McConkey and FPUA employees for the food drive donations for the month of October given to them for Thanksgiving food drive.

Tom Fryar, IT Services Manager presented the 60-month lease of a bill print and mail inserter from Pitney Bowes. He said FPUA currently uses a Pitney Bowes Bill Print and Mail Insertion system to print and prepare our mailings for utility billing, cut off-notices, inserts, and direct mailings. Since staff is extremely satisfied with their current equipment, service, and response times, we recommend to renew the lease, which will include a new machine. The lease will be for five years or 60 months at $45,468 per year.

Mayor Hudson asked if the maintenance and all the upkeep is included in the lease so that they come and help anytime.

Mr. Fryar said they usually come right away and a lot of the response times, there are certain pieces of equipment like paper and toner we have to put in there, but the rest of it they come out rather quickly to get it up and running. We have had occasionally where we have had to send information to another machine to print. Mr. Fryar said they are actually giving us another machine just in case that happens on site.

Mayor Hudson asked if Mr. Fryar has done a price comparison to outsourcing this.

Mr. Fryar said back in July 2009, this was outsourced and at that time in 2009, they decided to bring it back in. He said the cost savings on that was about $11,000/year. It is also a quality control situation where we had at the time wrong mailings to the wrong people, wrong bills, and no bills in the envelope, addresses, and things like that.

Mayor Hudson said you had more control in-house.

Mr. Fryar said yes, we had more control in-house.

A motion was made by Mayor Hudson, seconded by Ms. Cavalcanti, and unanimously carried to approve POA 18-06: A 60-month lease of a Bill Print and Mail Inserter from Pitney Bowes, Inc., of Shelton, Connecticut, under Florida State Contract 44102100-17-1, in the amount of $45,468 per year, from January 1, 2018 to December 31, 2022.

Javy Cisneros, Electric & Gas Engineering Supervising Engineer, presented the 2017 Electric Regulatory Compliance update. He said this is not a bad dream, this is the 2017 compliance update for the Board. He apologized in advance like last year because he will be using quite a few acronyms and if you have any questions, please let him know. Part of the Critical Infrastructure Protection Standards also known as the CIP Standards, we have developed a culture of regulatory compliance that includes operational departments, management, and the Board. This presentation provides FPUA with the checkmark that the Board is involved and aware of our compliance goals. Mr. Cisneros said he will talk about why we have regulatory compliance, who the players are at the national, regional level, and the local level, where FPUA is located in the region and who has jurisdiction over FPUA, and what FPUA is responsible for. There are three major events that led to stricter oversight and all three outages have a common theme. Something small led to a chain of events that caused a large outage. The 1965 outage affected over 30 million customers and the cause of the outage was related to the protection system for a transmission line near Niagara Falls. The summer of 1977 outage affected both LaGuardia and Kennedy Airports and they were closed for approximately eight hours. Additionally, the outages caused the shutdown of the automotive tunnels and subway systems. The cause of the outages were related lighting strikes on the transmission system. The 2003 outage affected over 50 million customers and the cause of the outage was related to the failure of properly maintaining vegetation around transmission lines. Again, all of these caused a chain of events that led to the largest power outage in the US. The 2003 outage was the largest in US history. Mr. Cisneros said the players at the highest level is the Federal Energy Regulatory Commission (FERC) and they oversee all energy commodities like electric, gas, and oil. He said they regulate the electric portion of the North American Electric Reliability Corporation (NERC), which is not a government agency, but is a hired company and reports to FERC. Below that there are smaller levels at the regional entities and Florida Reliability Coordinating Council (FRCC) has direct oversight of FPUA. The slide displayed shows FRCC's boundary, which is most of the peninsular of Florida except for the Panhandle. Because we are a peninsula, the FCCC regulates our area. FPUA has a compliance team that essentially tackles any of the compliance issues for FPUA and they are made up of the Director of Electric & Gas Systems, Supervising Engineer, Superintendent of T&D, Superintendent of Operations, Electric Engineer, and a handful of subject matter experts. What this means to FPUA, Mr. Cisneros said something he would like as a take away from today is what FPUA is registered as. He said FPUA is registered as a Distribution Provider (DP), Transmission Owner

(TO), and also designated as a low impact utility. That means if something happens on FPUA's system, it has a low impact on the bulk electric system for the State of Florida, which is pretty important. Some of the activities FPUA has had over the past year are pretty important. Earlier this year FPUA had a materiality assessment by FRCC that essentially identified a 138 line from County Line to the Garden City substation, which is a 138kV line that did not require FPUA to register as a Transmission Operator (TOP). TOP is a pretty big deal, for example the City of Vero Beach is registered as a TOP. They have three full-time employees that deal with NERC because of that designation and they estimated cost at the $3 million mark just for the designation even though they have other responsibilities. FPUA did a table top this year on how we react to an event that happens like a cyber-attack or some kind of event within our system. We have the subject matter experts at the table and that went well this year. The biggest thing FPUA is working on and currently in the process of doing is the 2017 self-certification. Mr. Cisneros said the six items FPUA is focusing on is the CIP-002-5.1 standard which is asking what our assets are and identify the system and how many systems we have. The CIP stands for Critical Infrastructure Protection. He said luckily for FPUA, we have one system with three pretty important assets. Those assets are Garden City, Hartman, and our Operation Dispatch Center and also we include Countyline, but City of Vero Beach handles the regulatory compliance for the Countyline Substation. CIP-014.2 addresses the physical security and the three assets we identified is what we do at those three assets, is there a fence, signs, and is there a way to monitor those assets. The next two items PRC-008-0 and PRC-006-3 essentially focus on under frequency load shedding. Whenever the frequency in the system, State of Florida, and our surrounding area hits a certain benchmark, which he believes the first one is 59.6, you start to drop load. This means we have to effectively open up feeders and drop customers. If the frequency in the system in the State starts to drop, FPUA will effectively drop some customers in order to balance the system. The PRC-005-6 addresses protection in the system. We talked a little bit about the outages that were caused in 1965, 1977, and 2003 and this essentially addresses how FPUA is maintaining the system that protects our infrastructure and how well of a system there is for maintaining those items. The FAC-008-3 addresses the facility ratings. If we take our system and go from point A to point B, everything that makes up our system, we identify what the weakest point is and identity the ratings of each component and part. Whatever the weakest point is, whatever has the lowest rating that is what our system is rated for. FPUA is completing their self-certification items this year and it is not necessarily that we are not doing those things, it is how we document that we are doing those things. We do a really good job of doing the things we are supposed to and a pretty good job of maintaining documentation to say what we are doing. This self-certification will help us tackle any shortfalls we may have. The discovery methods are displayed and the two Mr. Cisneros said he will talk about today is self-certifications, which he just discussed and peer reviews. He said staff works closely with FMPA and some of the other system utilities to do peer reviews. We review their stuff similar to an audit and if we find anything, we give them feedback so they can go back and try to clean up whatever they have or improve any potential pitfalls that we say they may have. FMPA is a great support for FPUA, they provide quite a bit of support on a weekly basis. They have four full-time compliance officers and if FMPA did not provide that service to us, we would have to have additional staff on hand

to address regulatory compliance. We really appreciate FMPA's support. Mr. Cisneros said this is an information only item, but would be happy to answer any questions.

Ms. Cavalcanti asked what happened in Atlanta.

Mayor Hudson said it is too recent to know.

Mr. Cisneros said it is too recent.

Ms. Cavalcanti said it would seem like a compliance problem to her.

Mr. Cisneros said there is not enough details that have come out from that yet, but he believes it was an equipment failure that the customer owned and potentially caused the outage. He said they have, like we do here, redundancy to a major customer, multiple ways to get power to them. He does not know, but is assuming it was on their side because on the utility side being the largest airport in the world is going to have numerous ways of getting power to their system. The other thing the Board may have heard about is there have been quite a few cyber attacks recently. There was some discussion on some of the blogs that he is involved in for compliance that talk about it potentially being a cyber attack. Mr. Cisneros said that is another thing in the next couple of years we will see low impact utilities like ourselves that will have to address and put more resources on standards because of things like that. He said being a small utility, FPUA will have to put more resources on hand to be able to handle some of the things we have to do to meet regulatory compliance. He does not know about the equipment, but assumes it was a piece of equipment, but there was also discussions about cyber attack.

Mayor Hudson asked what Hurricane Irma does to FPUA's compliance activities, how the regulatory agencies treat FPUA when they are in that kind of situation.

Mr. Cisneros said they typically have a period of time where they understand a lot of things are going to happen and do not effectively hold us responsible, but any time there is a miss-operation, we still have to report it. He said luckily for FPUA, we did not have a miss-operation. That means if the piece of equipment operates the way it is supposed to no matter whether we are in a hurricane or what the event is. If it operates the way it is supposed to then we do not have to report it. If it does not operate the way it is supposed to, we do have to report it. FPUA's equipment operated the way it was supposed to.

Mayor Hudson said except for the salt issue.

Mr. Cisneros said the salt issue, the system operated and isolated the way it was supposed to because of the salt. He said even though it operated, it was not a miss-operation. It operated the way it was supposed to because of the salt.

Mr. DeIulio asked if the self-certification is something we are going to do every year.

Mr. Cisneros said no, we have a compliance oversight plan (COP) that is issued every three years and we are in year two of the current plan. He said in 2018, we will be issued a new COP and they identify what they expect us to do every year like self-certification, self-report, 401 audit, offsite audit, or onsite audit. They tell us, this year it was self-certification, next year it is self-report, and the year after that we will get a new COP that will tell us what to expect the next three years.

Keith Stephens, Water Resources Superintendent, presented the contract and bid for pebble lime. He said normally we would come to you for a contract for three years with two one-year renewals, but this time we are having to come back a year earlier. Pebble Lime is used in the water treatment process to remove water hardness and is the largest component of chemical expense for the Water Treatment Plant. Carmeuse has supplied FPUA with Pebble Lime in the past. During the last contract between FPUA and Carmeuse, there were concerns from FPUA Water Resources Operations staff about the quality control process at Carmeuse. At that time, it was discussed with Carmeuse and they did acknowledge that their company needed to improve quality control. Due to transport issues in the pebble lime industry at the current time, there are very few suppliers bidding business on Florida's east coast. Carmeuse and Lhoist North America of Alabama, were the only bids received, with Lhoist being 17% higher in price than Carmeuse. Carmeuse, regardless of the history of quality control issues, represents the best value at this time. It is staff's recommendation the Board approve the award of bid and contract for the purchase of approximately 2,500 tons per year of Pebble Lime with Carmeuse Lime & Stone, Inc., of Pittsburgh, Pennsylvania, in an amount not to exceed $679,950 annually, for the period of January 1, 2018 through December 31, 2018 with four one-year renewal options, contingent on receiving Certificate(s) of Insurance. Mr. Stephens said the previous price was with a company called Cheney Lime and it was $204.90 per ton and the price has gone up to $271.98 per ton. He said it is almost a 33% increase and the reason is transportation. They are finding all of our lime comes from the same mines in Alabama no matter what company. They are having transportation issues with the rail lines, they just do not have the cars to give them. The price before was based on them doing that and coming to a transfer station in north Florida and then they would truck it to us. Mr. Stephens said now they are having to truck it to us from Alabama so our prior supplier said they could not renew and they were nice enough to extend their pricing through the end of the year so we could get the bid out. He said if we went with the 2nd bidder, it would almost be a 50% increase in our lime. Right now we use based off what we quote here the 2,500 tons, we use about 80% a year. We have to leave that lead way in case something happens to the RO or our demand goes up so we can make the lime water.

Mr. Perri said Mr. Stephens said at the time it was discussed and they acknowledged the need to improve their quality control, did they improve it.

Mr. Stephens said in 2010 we went out to bid and their problems were in 2009 and they got outbid by Cheney Lime at the time and they did a three-year contract. He said the problems in 2009 is the process they used different sized screens to screen the pebble lime and each size falls through the screen and different processes mean different size pebble lime. The size FPUA needs there was a lot of quality control issues with screens and hardware falling into the lime and we would actually get bolts that would come into our process and come through our silo, which would damage our equipment. Staff made them aware of that in 2010 and we were lucky enough that we did not have to do anything. In 2013, they were the lowest bidder, but because of the quality control issues, it was a real closed bid, we stayed with Cheney because we were very happy with the quality of lime we were getting and the strength of lime. We had no problems with the lime, or our equipment, and everything ran smoothly. The operators were very happy. Carmeuse realized they had a problem, they came and talked to us, admitted to the problem, and said it would not be a problem. They know with this contract, staff will be looking very closely especially at the price of $271/ton. Mr. Stephens said they did address it, said they had problems, and even though they did not get the bid, they came and talked to us after they lost the bid. That was in 2013 and we have been in touch with them since and they said all those problems are still fixed.

Mr. Bey asked if Mr. Stephens sees future problems with price increases due to this transportation situation.

Mr. Stephens said staff has done some checking and even talked to Cheney Lime as late as today. He said without getting too specific, the representative from Cheney is very upset his company did not bid and right now they are waiting for things to level out. They did not bid any lime in Florida at all. What he is telling Mr. Stephens is the problem with the rail line had to do with somebody wanting to reorganize how their company made money and that person is no longer there. They are looking at hopefully it changing back, if it does, we will immediately go back out for rebid to get the price back down. We think it is going to fix itself. Trucking from Alabama is a lot more expensive than from Sanford where the transfer station is.

Mayor Hudson said if we did not put this in the water, it would be hard water instead of soft water.

Mr. Stephens said we do it to soften the water and to remove the solids. He said this raises the pH and precipitates the solids out with our polymer and drops the solids down and makes the nice clear water. Those of you that have been to the plant have seen the clarifier that is exactly what it does.

Mayor Hudson said the customer gets clean soft water.

Mr. Stephens said softer water.

Attorney Koblegard asked how this lime differs from the lime you would put on your yard to raise the pH.

Mr. Stephens said it is not a powder, ours is pebble and the process we use when we bring it in is called a slaking process. He said it is a different strength too. The powder is more refined and the more fine you do the lime, the more it costs, so the powder would cost more. We actually use water to remove the lime from some of the pebbles and we have a grit remover so when the rocks come out the lime is gone. The power industry uses the same process for their SO2 control over their flumes as well. We use the same process there with the injection of lime. There is also another process where we could order liquid lime, but that is a lot more expensive and there are some utilities that have it in the liquid form.

Attorney Koblegard asked if the unit price is a per ton price.

Mr. Stephens said it is and FPUA uses about 80% of the 2,500 tons. He said this past year, FPUA used 2,005 tons of lime.

Attorney Koblegard said lime that is put on the pasture runs about $20/ton.

Mr. Stephens said it is not as strong and he would have to use so much more than that. He said FPUA has a spec that he would have to look it up, it is much stronger. We hold them to the minimum spec of the strength of the lime that they have to meet. That was one of the problems we had with Carmeuse in the past, our operators were having to change the feed rate of the same flow when delivery would come in because the strength was different. That is the good thing about Cheney is because it was very stable. That is one thing Carmeuse is aware of and we do check it. If it is a weaker lime, we have to feed it at a higher rate for the same treatment.

A motion was made by Mayor Hudson, seconded by Mr. Bey, and unanimously carried to approve Bid No. 18-20: Award of bid and Contract for the purchase of approximately 2,500 tons per year of Pebble Lime with Carmeuse Lime & Stone, Inc., of Pittsburgh, Pennsylvania, in an amount not to exceed $679,950 annually, for the period of January 1, 2018 through December 31, 2018 with four one-year renewal options, contingent on receiving Certificate(s) of Insurance.

Barbara Mika, Finance Controller, presented the monthly update on the electric rate comparison and the local bill comparisons for the month of October 2017. She said the first graph displays the comparison of Florida residential electric rates for the month of October for the 33 municipal utilities that operate in the State of Florida. Thirteen of these municipal utilities, including FPUA, are members of the All-Requirements Project. In this graph they are all highlighted in red except FPUA which is shown in yellow. The benefits of being a member in the All-Requirements Power supply project are lower operating costs through economies of scale and lower risk with more cities working together. The Florida Municipal Electric Association compiles these billing rates,

each month, from the utilities around the state. This graph shows all municipal electric bills in the State of Florida for the average residential usage of 1,000kWh. FPUA's October bill for 1,000kWh of consumption comes in at $120.84 and is identified in yellow. Mrs. Mika said FPUA ranks in the 7th positon from the right in this comparison, which is an improvement of one position from our September rate comparison. She pointed out a few items on the billing rate changes that have occurred since October, which demonstrate the impact of being an ARP participant. Of the 33 municipal utilities, 19 experienced rate changes since September. The impact on the average rate for the All Requirements Participants was a decrease of $2.09 on average or 1.76%. The average rate for the remaining Non-ARP municipal utilities showed a slight increase over October by 0.4%. The overall decrease in the average for the Municipal Utilities of $14.22 is down as a direct result of the All Requirements participants. There were two main contributors to the overall rate decreases. Both were ARP participants, the City of Havana with a $16.39 rate decrease in October and Newberry with a $7.50 rate decrease. The October bill for FPUA, at $120.84, is just $4.41 off from the average for the All Requirements participants and is lower than the average for the Investor Owned Utilities by better than $6.00. The impact of the additional $2.00 decrease in fuel costs in December will narrow that gap further. The next graph displays a similar comparison for usage of 2,500kWh. In this comparison, FPUA's October bill at $304.80 has maintained its standing since September and remains in the 9th position from the right. FPUA's billing for the 2,500kWh for October falls below that of the IOU average by $21.75 for the same consumption. Displayed before you now is the October comparison of local Treasure Coast residential utility bills. Included in this comparison are the of total utility bills that an average residential customer would experience if they resided in the cities of Fort Pierce, Port St. Lucie, and Vero Beach or if they lived in the area serviced by the County Utility services of St. Lucie County or Martin County. The bill totals in this table include all applicable taxes and fees in each of these municipalities and have been verified to actual bills. Since this comparison was last presented for the month of September, there were no changes to any of the electric service billings. On the water and wastewater billings, Port St Lucie as of October 1 had an increase in water and wastewater billing of 1.5%. The City of Vero Beach had a slight increase in their water and wastewater service charge. FPUA's current overall bill for all three services remains the lowest in St Lucie County cities. The last table has a more detailed comparison of these local residential bills with a breakdown of the fees for services, taxes and other charges to the customers in these different service territories. This item is for information only and requires no action on your part.

Nina Penick, Director of Financial Services, presented the Financials Operating Results for the ten months ended August 31, 2017. She said there was a year to date increase in net position of about $3.8 million that is actually down from last year by $295,000. The big changes were in the operating income that was up $2.2 million, yet on the other hand the capital contributions were down $2.2 million. That was a direct result of the application of the capacity reduction option whereby we are utilizing Capital Improvement Charges (CICs) to pay for Guaranteed Revenue Charges (GRCs) for developers that so desire to exercise that option. It is a win-win situation for

both them as well as for FPUA. For them they can continue to develop the properties they started to develop many years ago and it is a win for FPUA because we are able to collect those GRCs that we might have had a difficult time collecting. It does impact our financial throughout this presentation and she will probably refer to it three or four times more. The electric operating revenues, when we take out all the power costs, were up quite substantially in FY 16, but have dropped in FY 17. They were up 1% from FY 15 to FY 16, but down 2% from FY 16 to FY 17. The consumption went along with the revenues FY 15 to FY 16 and has leveled off from FY 16 to FY 17. Water and wastewater are a little bit different story where we had some small rate increases during those times in both FY 15 and FY 16 so the blue bars, which represent the revenues show those increases up 3% from F 15 to FY 16 and actually the revenues were up 10% FY 16 to FY 17. The consumption of water has increased during that time about 2% from FY 15 to FY 16 and up 5% FY16 to FY 17. The increases are attributable to both rate as well as the quantity of water sold. This was also one of those capacity reduction option situations and the third reason why FY 17 is a little bit higher than just the amount of the increase in consumption. The GRCs are recorded in operating so that went up while the CICs went down. The Wastewater System the gallons billed, we saw a very similar situation in terms of increased revenues although there were no rate increases on the wastewater side. The operating revenues were up 1% from FY 15 to FY 16 and up 10% from FY 16 to FY 17. It was the same situation the capacity reduction option over inflates the FY 17 operating revenues. The gallons billed were up flat FY 15 to FY 16 and up 5% FY 16 to FY 17. Mrs. Penick said gas rebounded from FY 16 and this revenue excludes recoveries of natural gas cost, but we did see the revenues from FY 15 to FY 16 declined 5% and they rebounded 1% from FY 16 to FY 17. She said the consumption although it was down 5% in FY 16, it has rebounded 3% from FY 16 to FY 17. Some of that has to do with the gas contract consumption as we are all aware, the gas contract customers are billed out at a lower margin than the rest of our customers, but they make it up in volumes. The gas contract consumption for the eleven months was up 4.5% so that really impacted the statistics overall. Mrs. Penick said she was a little alarmed to see there was actually a 1.4% decrease in contract revenue and that did not make any sense to her and was concerned there may have been some kind of a problem. She said our lowest consuming contract customer, our smallest customer that was being billed at a higher margin because their consumption was lower than the other contract customers, closed their doors. The revenue and gas they used fell off in FY 17 and because there was more margin, although the consumption was up, the revenue for the contact customers overall actually went down. We still have the two strong steady customers and they will be around for a very long time and perhaps we will be able to pick up some more. They are big ones, Waste Pro who do the garbage trucks and Ranger who heats their asphalt. We have a debt service coverage ratio of 3.27 that is based on the rolling twelve months of operating income through August 2017. It is more than double of the 1.25 that is required by FPUA's Bond Covenants. The biggest change and why the number is so much higher than it has been in prior years is a result of exercising the capacity reduction option. If the numerator is operating income and it is higher this year, then the debt service coverage is also going to be higher. This is an information only item and no action is required from the Board.

Mr. Tompeck said something he discussed with Mayor Hudson is that at the next Board meeting we are going to have a little primer on the Guaranteed Revenue Charges (GRCs) and the capacity reduction option. He said we have talked about these in general a couple of times and he thinks it is not a simple topic so we will have a special presentation on that in January.

Mayor Hudson said thank you, she appreciates that.

Mr. DeIulio asked what Mrs. Penick expected Hurricane Irma's impact to be on the September presentation.

Mrs. Penick said the total is about $1.4 million and that is the gross costs and not net of what we are going to recover. She said we did come up with a recoverable number from Mathew, but we have not quite there with Irma yet. The gross cost for Mathew was about $800,000 and we will recover most of that, not all of it. On the same premise we have to do that very same thing with Irma and it is a very tedious process to go through each of the invoices and walk through them with FEMA and for them to get on the same page as us as quickly as we can so we can close our books. Mrs. Penick said it is very annoying to have hurricane season right at the end of our fiscal year, not that there is a thing we can do about it.

Nina Penick, Director of Financial Services, presented the status report on the Electric Power Cost Adjustment (PCA) for the month of November 2017 and updated projections through November 2018. She said the PCA is the mechanism by which FPUA recovers the power costs from our customers that is in excess of the $79.52 base power cost, which is included in the base rate. The cost of power purchased from Florida Municipal Power Agency (FMPA) for the month of November was billed to FPUA at the rate of $68.95 for 1,000kWh, an increase of $6.11 as compared to October. The over-recovery from the customers for the month of November totaled about $780,000. The cumulative over recovery was about $3.9 million as of November 3, 2017. There is a new graph that shows the rate stabilization fund because we wanted to demonstrate we do have the $1 million to use. Mrs. Penick said she had a hard time putting it on the other chart because we are not using it yet. She said if we choose to use it at some point, you will see the charts adjusted accordingly. Also added are dotted lines to depict the range of what the Board has recommended as a suggested over recovery, that we should not have more than $4 million nor less than $1 million in over recovery at a given point and time. Even with making no changes today, we are projecting that the over recovery will be over the $4 million at the end of this month. Nothing we do today is going to change that so it is why the two line graphs all start at the same point. The projections shown are prepared by Public Resources Management Group (PRMG), which in turn are based on projections prepared by FMPA. Since last months' forecast, FMPA's estimate of the price of purchased power for the upcoming 12 months decreased 2.6%, which is a good thing. Each of the lines represents what the over recovery would be if the projections are correct. The red line represents no change to the $2 PCA and that is what staff is recommending here today. The green line represents a $2 decrease

in the PCA in January 2018 and that is just one other possible scenario that could be considered. Although the no change option does have the PCA over the $4 million level, it really is not going to change all that much in the upcoming months primarily because of projected costs as well as consumption is low this time of the year. We expect cooler weather and people are not burning up their a/c which is the majority of the electric consumption for many of our customers. It looks like, if we do not make some substantial decreases, we may have significant over collection, but that is later on in 2018. We are looking at the near term and it is looking very steady. If the Board wanted to consider a $2 decrease starting in February, that line would fall somewhere in between the two. There is still the possibility of significantly colder weather up north and any other kind of events that may affect the price of natural gas. Because everything is very flat at this point, staff is recommending no change to the PCA, at least to provide some assurance that it is less likely there will be an unexpected spike in natural gas prices due to the cold weather and other events out of our control.

Mayor Hudson said it looks to her in January we can seriously look at a change.

Mrs. Penick said we certainly can or sometime soon thereafter.

Mr. Tompeck said it is an abundance of caution at this point. He said what always worries him is that FMPA does not hedge any gas so if we do have a polar vortex at the wrong time of the month when they are buying gas, it could make a substantial increase to the wholesale rate.

Mayor Hudson said which means we do not have a protected source.

Mr. Tompeck said it will just be whatever the market is. He said a lot of the worst weather usually comes in January so we will feel much more comfortable if January is almost over and we can make the adjustment then and feel more confident.

Mayor Hudson said she looks forward to that second meeting in January.

Ms. Cavalcanti asked why and said she knows this will probably be very unpopular, why couldn't we build up that PCA overage account to something like $8 million and then lower down to $2 million over the summer.

Mrs. Penick said there is no reason why we could not do that.

Ms. Cavalcanti said that is when people are hurting and where people get a shocking bill that is double what they are getting in the winter.

Mrs. Penick said that is another reason why we are trying to hang in there through the winter time. When the bills are low to start with to give it back now is less impact than doing it in June or July.

Mrs. Cavalcanti said July seems like a great time because June, July, August, and September are just awful months.

Mrs. Penick said that is entirely up to the Board.

Mr. Bey asked what the down side to that is.

Mr. Tompeck said the downside you could look at the chart and obviously we would have to increase the PCA now to get up to $7 million or $8 million. He said our rates would be increasing so that bar on the chart is going to increase to the right and nobody wants to see that bar move to the right on the chart.

Mr. DeIulio said we are already $4 higher than the average for the ARP. He said if he was a snowbird he would be concerned with getting hit with higher rates now and going home up north and the summer residents get the lower rates.

Ms. Cavalcanti said she is sure the rates here are a lot less than they are up north.

Mr. DeIulio said he does not know about that.

Mr. Tompeck said if it is ConEd he is sure Public Service Electric & Gas in New Jersey is.

Commissioner Reggie Sessions said to the Utility Board Members, our own Mr. Mimms, Mayor, Mr. Bey, Mr. Dan DeIulio, Mr. Perri, Glynda Cavalcanti, along with Mr. Koblegard and our new Director Mr. Tompeck and said he brings greetings from the City of Fort Pierce this evening to appeal to the Board from a perspective after sitting here in the meeting and the thing about it was a little different from the meeting he participates in on the same dais is that, you are more into the fundamentals and the day to day operations of a business, which is to be expected. Mr. Sessions said he would like to lay into the Board's ear a little bit and try to bend it from a visionary standpoint and look at it from where he is most of the time when he sits up there. He said he commends the Board for their efforts and sees what they are dealing with and these are one of those meetings and one of those boards he would dread being a part and has much respect for this Board in light of what is going on in our City. There is an opportunity before us and when he says us, he looks at this agency of being more like an enterprise like our City Marina, our garbage to a certain degree agency, sort of like an enterprise. We are in a position where we can, he believes for the first time in a long time and maybe the last time make a major investment in terms economic development for our City. What he loves about being in the auspices in these four walls is he is not talking about the County, Port St. Lucie, or Vero Beach, but is talking about what he feels all of us have in common as Board Members and residents of the City of Fort Pierce. Mr. Sessions said ladies and gentlemen it is time we make this investment he believes. He said

when you look at what is going on around us to the north and to the south in terms of development, everybody looks as Fort Pierce and asks where the development is. When he looks at the unemployment rate being at about 4.11% right now, higher than the State overall percentile in terms of unemployment and higher than any of the surrounding cities in terms of unemployment. Again he said this is an opportunity for us to look into and try to rectify and make this a better community. That is one of the reasons why he ran for public office was because he wanted to come back home withstanding all of the negative publicity about Fort Pierce. When he stepped out in a family's yard and all they could say to him was you are from Fort Pierce, the city where Avenue D is or you are from Fort Pierce, the city where they call it bedrock. He would go over to FSU, the school of electrical engineering where he took a lot of his courses he would hear the same thing so he got discouraged about coming back home. Even though his family was here and his roots were here, this was not a place where he wanted to come. With that being said, that was a green area for him and an opportunity to make a difference and be a part of a solution instead of the problem. Mr. Session said he submits to you that what put Fort Pierce, not St. Lucie County, on the map was the fruit industry. He said as a result of the fruit industry dying due to the canker and last but not least NAFTA with the trade being abolished would open the doors for fruit to go out from all different countries, it sort of killed us. We now have a surplus of people that are blue collar workers that are no longer employed and we have a surplus of people that are white collar workers that do not have any employment to come back to like himself when he was turning over the fact of whether or not he was coming back home or not. He did learn while being in the State of Louisiana and seeing the activity in the Port of New Orleans and Baton Rouge there was some money to be made and money was being made by all of the cities especially on the Atlantic Ocean and bordering the southern part of the gulf, they were making money that had ports. Mr. Sessions said he remembers his history and one of the things he inquired about is what was going on in Fort Pierce and why do we have all of these problems. He said Fort Pierce is one of 15 ports, but for whatever reasons it is no longer active. He ran for city government and made it a part of his platform, but when he found out the Port Authority was actually under the auspices of the County, it was somewhat limited what he could do in terms of a voice to make it a reality in coming back to fruition and being prosperous again. Nevertheless, our State government and our County government, along hopefully with our City government realizes and understands that it is an opportunity for us. The State is willing to invest and they know as a result of the widening of the Panama Canal, they are looking all over the place to find an inlet to bring in and export and import goods. We happen to be one of the only ports that is inactive so there are a lot of individuals that have an eye on us and are looking to do business in which he can sit here and talk about that until tomorrow, but that is not what he is here to do. He has a short period of time and wants to appeal to you to make it interesting to what he feels we should do. Mr. Sessions said our City Manager presented to the City Commission two meetings ago and hopefully this Board has a copy of it, a brochure of information with regards to the opportunities that lie with the City of Fort Pierce in developing our port. He said one thing is the City of Fort Pierce financially, he said being frank with you and everyone knows him for being candid, the City does not have the money. He feels what they can do because they are up against a clock is if we were to partnership

with the Utilities Authority, he believes we could make this a reality and invest in the property because the bottom line it is going to take a partnership of a municipality not privately owned, but by a government in order to obtain the federal dollars and the state dollars. Mr. Sessions said he is here to appeal to the Board to send our staffs together so they can work together to come up with something we can bring to the table to make an investment in this port at the initial stages because if we do not, what he submits to the Board is that as far as the control and the authority of the activity and what happens, it will be governed by those that make the investment. He has been in politics long enough to know that and that is just the reality of it. He has much respect for his County Commissioners and hopes they do the right thing, but nothing talks like money. We have identified a little funding source you have that perhaps you could consider when we looked at your financial information regarding the analysis of your finance of about $25 million in equity pooled cash and that is cash loaned. Mr. Sessions said he is not here to tell the Board how to do their business, he is just letting you know he sees something here and perhaps you can look into and endeavor to make this a reality. This is just something he has identified by way of his staff of about $25 million in your liquidated cash assets. As he hears so often, Reggie we have the bond covenants we have to worry about and he has been hearing that time after time again. Even taking a conservative figure with the bond coverage of 60 days and even if we were to take out $12 million of that $25 million, it would leave you another $12 million. That is one opportunity out there and there are others he feels we may look into, but he is going to leave it up to the Board. Let's make something happen in our community, this is a City owned Utilities Authority and the key to your success is going to be customer based and as a result of the locked in of the Utilities Authority sales that you have with FPUA surrounding you and interlocal agreement, there is not much you can do in terms of that. It is going to be customer based upon your sale of gas, sewer, and last but not least you hold one of the goldest items everybody wants and that is water. As far as that water is concerned, rest assured that it is going to be the key to your success and some of that water is going to be by way of distribution towards residents or commercial. Ladies and gentlemen the last time he looked, we had a flight out of Fort Pierce left and right going to Port St. Lucie and it has not started coming back. We are limited even if we look at it from a business perspective in terms of your success in the future, Mr. Sessions said he submits to you again, let's make this an investment. We have a hidden jewel out there, we can make it happen, and he believes FPUA is financially in a position to do it. He said he comes to you, their meeting a couple of weeks ago he is sure you saw they presented a resolution and there were some concerns by members of the board in regards of the legality of it and that is for staff to figure out. Let them come to the table to figure out the legality of this mission at least from his perspective and the City's perspective, they were not able to agree on an amount in light of the legality of it. It was their wish and desire for both staffs to come together to try to consummate something so we could make this investment before it walks away. It will not happen in our life time and it took a life time to get here even for this discussion. Mr. Sessions said the last meeting he detected that there was some animosity between staffs and for whatever reasons they were not seeing eye to eye, but that is what we pay them for. He said if we send them in a direction we want them to go, he is sure they will do it, we can deal with that in other ways. He hopes for discussion purposes that we can come up with something in terms of an

investment from the Utilities Authority to partnership with the City of Fort Pierce to make an investment if not in the terminal, but there are adjacent properties on the terminal that are going to be key properties of concern and will have to be a part of the port in order to make it a success. Your stockholders in their entirety he often refers to the customer base and he says the owners of this company are the citizens of Fort Pierce. Let's give them a return on their investment for your consideration again. Mr. Sessions thanked the Board for this opportunity and their time.

Mr. Tompeck said as you probably noticed, the FPL/Vero Beach sale documents were not on the agenda today. He said he discussed those documents with Jacob Williams of FMPA last week in regards to the jointly owned line with Vero Beach, 138 KV transmission line. It was his understanding even after the Board approved the sale documents, we would have a chance to stop the sale should the negotiations for the transfer of the line not be completed. He thought the FMPA Board vote in February would afford us that opportunity, but that assumption was incorrect because the final vote on the sale in February does not have to be unanimous. To maintain our bargaining position, he thought we needed to pull the sales documents off the agenda to get FPL's attention. This approach seems to be working because FPL called him on Friday and they have prepared an asset rate sheet which he received yesterday. This document is being reviewed by Koby and Jody Finklea, FMPA's counsel. The asset/rate sheet is for the full amount of half the value of the line, which is just north of $2M. The evaluation we did valued the line at about $4.1 million. The asset sheet is a non-binding agreement, which will be followed-up with the purchase and sale agreement. We have not received the purchase sale agreement yet, but expect to receive it right after the first of the year. Once the purchase and sale agreement has been completed, he will feel comfortable bringing the sale documents back to the Board for approval. Mr. Tompeck said there was a discussion about the FMPA Development Fund last week at the FMPA meeting. He said that fund was established for the costs associated with new project development. Since no new major projects are envisioned for the next several years, FMPA thought that it would be reasonable to reduce the fund from its current level of $11 million down to $6 million. As a result, we will be receiving our pro rata share of ~$393,000 as a refund in January. FPUA staff met with Mr. Mimms on streetlights last week and he hopes we have worked out some of the problem areas which were bogging down expeditious repair of streetlights. This is an area we will continue to concentrate on to be sure that the lights are repaired quickly and he is sure Mr. Mimms will advise him quickly if that is not the case. Over the last couple of weeks, Mr. Tompeck has had several conversations with Representative Larry Lee, who is a member of the Select Committee on hurricane response in Tallahassee. Specifically he has been interested in restoration of power at Lawnwood Hospital and the surrounding areas as well as the priority list for power restoration in general. He has had a chance based on designing that with our Electric Department. Mr. Cisneros and Mr. Jakubczak have been working on it and some other restoration projects in and around the hospital. We have met with the Lawnwood Hospital folks and are trying to reduce the number of people that come to the hospital right after a hurricane because a lot of those are not an emergency cases and just clog the emergency room. We are

working on a couple of projects there and Mr. Lee was happy with the input we gave him to bring back to the Select Committee and he may be the Chairman of that committee

Mayor Hudson said he is the Democrat Ranking Member.

Mr. Tompeck said the January 2 Board meeting has been cancelled unless the Board has an objection to that. He wished everyone a happy and safe Christmas and New Year's.

Mayor Hudson said thank you and same to you. She asked how we can reduce the number of people that go to the hospital room after Hurricane Irma.

Mr. Tompeck said some of the doctor's offices in the area are open or a couple of the Urgent Care facilities if we get them restored quicker, they will go to those places.

Mayor Hudson said okay there would be more options for them to go to.

Mr. Bey thanked the Mayor for asking that question.

Attorney Koblegard said he got a call he thinks last Friday or Thursday from Brad Culverhouse in relation to his Petition to Certiorari he has filed on behalf of Clay Lindstrom. He is still undergoing treatment for a very serious condition and Mr. Culverhouse asked for another two-week extension in filing what he has to file with the court to amend his petition because it was not sufficient the way it had been filed. Mr. Koblegard told him that would be fine, the court would have done it anyway and he did not want to say no because Mr. Culverhouse has a very serious issue that he is dealing with. Mr. Culverhouse started talking about wanting to resolve it and the Petition of Certiorari just asks for two things, really one and it is to appear before the Board and have a new hearing on his termination or appear before the Board and have his name clearing hearing. They did not notify us that they wanted to do it today so it is still in limbo for January or whenever. Attorney Koblegard said they started talking about one thing he said is that Clay did not get paid correctly based upon the termination agreement. He said Nina checked on that and he believes that is an error there because he got paid for three months plus the two and one half months and any benefits that would go along with it. Mr. Koblegard said he does not believe that is the real issue. He said Mr. Culverhouse then said he found some federal law and he may be able to bring an issue in Federal Court in this instance. Mr. Koblegard said he asked Mr. Culverhouse what it was he was looking for and he thinks he is looking for some kind of payment and that is not covered by what he has filed today. He is supposed to send a settlement proposal if in fact that is the case, then Mr. Koblegard said he would then turn it over to the League because he thinks we are covered there. If something comes up he just wanted to pass that on. Once we get it, we may have an out of the Sunshine meeting and he hates to do those things, but that may be something to consider. Maybe we can discuss it at an open meeting, the Board

can decide that, but he just wanted to pass that on because that is kind of what he is hearing right now. Mr. Koblegard said he does not have anything in writing.

Mr. Mimms thanked Mr. Tompeck and his staff for coming over to meet with them to talk about the thing Mr. Tompeck does not ever want to talk about again and that is street lights.

Mr. Tompeck said Mr. Mimms does not want to talk about it either.

Mr. Mimms said that is right he does not. He said it was a very productive meeting and thanked the Board for hopefully making that happen and he believes they will come to a very reasonable conclusion. He wanted to advise this Board that the City of Fort Pierce will be embarking on their annual strategic vision and outline action program in February. If there is a move by this Board to initiate your own strategic planning, it would be wonderful if they could have those recommendations or whatever type of vision that is going to be created by this Board, have that transmitted or forwarded over to the City Commission for that inclusion as well.

Ms. Cavalcanti asked if Mr. Mimms wanted it coming from individual Board Members or as a group to come up with a plan.

Mr. Mimms said he is just answering Ms. Cavalcanti's question and he thinks it would be more affective if the recommendations for the FPUA came from the Board speaking as one unit. He said that is his answer to her and he does not know how you want to do it, it is just his recommendation.

Mayor Hudson said she has one piece of news for the Board and that is the Constitutional Review Commission that is meeting right now and will have constitutional revisions on the ballot in 2018. She said they have one that is called Proposal 51 and it creates basically open source for utilities and for electric providers. This would mean if it passes and was put on the constitution it would be an immediate way for people to choose their electric provider and would affect our provision of electricity and our bottom line. It would be a drastic affect and it would be a very appealing thing to the consumer because they would be able to make a choice, but the adverse effect would be on this company and the City of Fort Pierce. Mayor Hudson said she does not know if anybody at FMEA or FMPA are watching this and reporting it to FPUA when they go to Orlando. She said it is a proposal and she does not have any idea where it is going, it is in a Constitutional Revision Commission and they have about eight committees that are going to be considered for putting on the ballot and this is in the hopper right now.

Mr. Perri said the Policy Makers Committee meets in January and the lobbyist people will bring them up to date and he will bring it back to the Board.

Mayor Hudson said she would be happy to provide information to Mr. Tompeck and he can provide it to the Board Members if you would like that.

Mr. Tompeck said that would be great.

Mr. DeIulio said he has one quick comment as a Board Member and as a ratepayer. He said this has been a challenging year for us and he wanted to especially thank all the employees at FPUA for assisting them in getting through some of the challenges. As a ratepayer he appreciates all their work during Hurricane Irma and said they deserve a nice vacation and holiday break so we will see you in a couple of weeks. Mr. DeIulio said he really appreciates all the work the employees do and said they stood up to the challenges this year and he really appreciates that.

Mayor Hudson said ditto.

Mr. DeIulio said Merry Christmas and have a safe New Years.

Mr. Bey said Happy Holidays and Happy New Years. He said he echoes what Mr. DeIulio mentioned about the challenges and the support they received from staff and employees. He hopes we can make 2018 a much better year and wished everyone well.

There being no further business, the meeting was adjourned.

ATTEST:

SECRETARY

CHAIRMAN