

MINUTES OF A SPECIAL JOINT MEETING OF THE CITY COMMISSION OF THE CITY OF FORT PIERCE, FLORIDA, AND THE FORT PIERCE UTILITIES AUTHORITY BOARD, HELD IN THE CITY HALL, THIRD FLOOR CONFERENCE ROOM, 100 NORTH U.S. #1, FORT PIERCE, FLORIDA, AT 2:00 P.M. ON TUESDAY, NOVEMBER 18, 2008.

Mayor Benton called the meeting of the Fort Pierce City Commission to order.

Chairman Drummond called the meeting of the Fort Pierce Utilities Authority Board to order.

Upon Roll Call, those present for the Fort Pierce City Commission were: Mayor Robert J. Benton; Commissioners Alexander and Sessions; City Manager David Recor; City Attorney Robert Schwerer; and City Clerk Cassandra Steele. Those absent: Commissioners Edward Becht and Christine Coke. (Commissioner Becht arrived at 2:12 p.m.)

Upon Roll Call, those present for the Fort Pierce Utilities Authority Board were: Chairman Pamela Cully; Vice Chairman Robert W. Summerhays; Secretary Thomas K. Perona; Deputy Secretary Darrell Drummond; Mayor Robert Benton; Executive Director William Thiess; FPUA Attorney Rupert Koblegard; and Ex-Officio Member City Manager David Recor. Those absent: None.

The first item on the Agenda was Submittal of Fort Pierce Utilities Authority Background Information.

Mayor Benton said they are here today for several reasons. In his opinion, the City Commission and the FPUA Board need to be working a little bit better together. He heard from the business community and from a lot of folks out there in the community that they would be better off if they could work together a little better. He thinks some of the shots that have been fired at each other, they need to stop that. The reason why both entities are set up the way they are is there are Charters that cover both. Those Charters were set up years ago, not by anybody at this table, but by people who came along before them. They are just going by the rules that were set up by people who came before them. In the packet there is some information of how the FPUA was set up, and the Commissioners and Mayors who were on the City Commission from 1972 when the referendum was first passed forming the Utilities Authority Board. He thinks it is very important to see the people were from the whole community, the people who sat on the City Commissions and the FPUA Boards over the years. He thinks most of them know a lot of those people; and they were highly respected, not only in their positions as elected or appointed officials, but also as business people. It is the same case today. The City Commission appoints the U.A. Board Members. A lot of times these are people they know who have roots in the community. A lot of times they don't all about them and their full resumes. What he asks today is if each Utilities Authority Board member wouldn't mind giving a brief description of their resume and their experience and what they bring to the FPUA Board.

Chairman Pamela Cully said she was in real estate for 20 years, 10 years with Hoyt Murphy here in Fort Pierce. Then she worked

for Harbor Federal in marketing and public relations for six years. She is not working presently. She is on the Main Street Board, which she has been on for 13 years, and she is on the Backus Museum Board, and this FPUA Board, she is going on her fourth year.

Vice Chairman Robert Summerhays said he is a CPA. He has been a CPA for 39 years in Florida, Georgia, and Kentucky. He is also life insurance licensed and he is a registered investment advisor.

He has been in Fort Pierce since 1975. He thinks he has served on virtually every Board around at one time or another. He is former President of the Rotary Club.

(Commissioner Becht arrived at 2:14 p.m.)

Deputy Secretary Darrell Drummond said he has been in this community since 1979. He came here out of college to work at a family construction business. He worked for the City of Fort Pierce in the Planning Department. He served on probably just about every Board the City has. He was a City Commissioner at one point. He also worked in real estate and worked for Calloway & Price as an appraiser for many years. He has been with the Council on Aging for the last 14 years and is currently its President/CEO.

Secretary Thomas K. Perona said he has lived in this community since 1972, right out of college. He has been in several different businesses. He has served on several boards, including the Civil Service Appeals Board for the City for 12 years. He started his seventh year on the Utilities Authority Board. He has 32 years as a member of the local Kiwanis Club. The Cancer Society, GO Team, and Chamber of Commerce, he has been on all those Boards. He likes to be involved with the community as much as he possibly can. He is somewhat retired now, looking for a new project. But the Utilities Authority lately has been taking up a lot of his time. He appreciates the appointment and he thinks they are doing a good job.

Mayor Benton said right here they have over 100 years of business experience just in Fort Pierce on this FPUA Board, and that is without him. To him, that is very important. These people live in the community. When it comes to utility rates - which they are all taking heat for - these folks live out there and have to mingle with their neighbors and with business partners out there. By no means do they have any interest of their own other than to keep the lowest rates and work to keep this utility on track as well as they can. So he thinks that is real important. He does have a copy of the Charter, Article XII, that sets up the Utilities Authority. The City Commission is governed by Charter, so there are certain things they can and cannot do. It is real important to take a look at that.

Commissioner Alexander said he has the utmost respect for all the Board members and his fellow Commissioners. He thinks they are all doing an excellent job in the City of Fort Pierce. He just wants to know - him personally, it has nothing to do with anybody else - how everyone in this room can go out into this community and see the suffering and hardships that are going on

and just do business as usual? They don't pause to see if there is anything they can do to change. They are talking about this Charter. How old is this Charter? They are talking about 40 years.

Mayor Benton said this was set up in 1972.

Commissioner Alexander asked are they telling him there are no changes that need to be done from what was done 40 years ago than what they are doing today?

Mayor Benton said growing up here and being here most of his life, there was just as much suffering in the community in 1972 as there is today, maybe even more.

Commissioner Alexander said the Mayor can say that and he can say the same thing and it would be a different matter, the way the Mayor grew up and the way he grew up and the changes that have not been done. He is a property owner or what they call a landlord. When they see the state of the homesteads or apartments or housing in this community is not to par, it seems like they are trying to protect someone from going out there and doing what they rightfully should do. He may insulate his home. But if they have rental properties, that doesn't mean they say the heck with it, let them come through it as they may. That is where he as a Commissioner, not that he is so compassionate about what is going on, it is he just can't walk by and continue walking on without stopping and trying to see... He promised himself 40 years ago when he got out of high school to leave Fort Pierce. He did, he went to Tuskegee. He attended Tuskegee Institute and graduated from Lynn University. What he saw those communities brought him back here to his own community. He is just saying that not to put on show, because if they know him, they know he is not the weeping kind. But they as community leaders will find out he won't put a bandaid on an open wound. It just doesn't work.

Mayor Benton said one reason why he wanted to bring everyone's experience to the table is because 98% of the business community and the residents do not get involved in their community and the way it works. That is why he is trying to show them, these people sitting at the table, most of them have given their lifetime to make this community better. They are the top movers and shakers in this community, but they don't have the support of 100% of the community to do this. Instead of shooting arrows at each other, they need to be working together. These people don't like getting beat up with over utility rates.

Commissioner Alexander said he agrees with him 100%. But his concern is that these individuals are appointed by the Commissioners and the Commissioners are elected by the people. Why does he think he has such a hard time as Mayor? Commissioner Becht felt the blunt of it. He is looking forward to it, because he knows he has tried from day one, not politically motivated, because it is the right thing to do. If someone says that Commissioner Alexander is not doing what he is supposed to do, he would be the first one to go, because has so many other things to do. To give his life, he gives them his

life. Again, there is some real concerns out there in that public. If they told someone they are talking about a Charter, they will use that probably to light a fire with.

Chairman Cully said she thinks he is a very compassionate person. She has watched him and listened to him at the meetings. She thinks what he has to say is important. She believes that everyone on this FPUA Board feels the same about their community and the people who are suffering. She doesn't think it has to do with... Although definitely the northwest section of town seems to be suffering what they observe to be worse than the rest of the City, she doesn't know if that is really the case. She does feel that every one of them are very concerned. But they also were put on this Board of oversee the FPUA and to be sure it is healthy for the benefit of all the community. When she says healthy, she means it has to be able to run and run well and not be deteriorating to the point that down the road five or ten years from now they have a real problem. And actually, right now in fact, they have a real problem with repairs and replacement costs and so forth that have to be taken care of, or people won't be able to turn on the water and turn on the lights, and they are going to be very upset. There was a problem with water down in West Palm Beach and these people are going to have to come back with like \$10 million to repair their water system because they did not take care of it. The Commissioners have really asked the FPUA Board to do just that, to be sure that they have a good utility system on hand. She does feel they are very concerned about these rates. They don't sit at the meeting and go over and over again that this is so horrible, but they do think it and they do talk about it with Bill Thiess each time they have to go over anything. She wants him to know they are concerned.

Mr. Drummond said Ms. Cully hit on most of what he would have said. He comes with the unique experience of having served on both sides - on the FPUA Board and being on the Commission. One of the most challenging things when he got to the U.A. Board was recognizing he was no longer a Commissioner and the duties were tremendously different. He is with Commissioner Alexander completely - there is a world out there and they want to do everything they can to impact it as much as they can from the positive. His job has been to try to remember that there are limits to what they are allowed to do and what their charge is by the Commission in the Charter when he came on to the U.A. Board. He thinks Ms. Cully really brings it down to how he approaches it. As they are looking at the operation of the Utilities Authority Board, he is mostly concerned about making sure the policies they set are going to be hopefully in the best interest of the ratepayer who is having to bear that cost on a monthly basis, to make sure their employees are being sensitive to their needs, and are addressing those. He thinks that is what the Board has done during the time he has been here. But in terms of trying to look at expanding their role and going above and beyond, they have to keep that line of demarcation so they don't go beyond that. But of course, he has always felt that part of the job is to make sure they are partners with the Commission. Part of what they are, they are charged with responsibilities of protecting probably the most valuable asset

that this City has, and making sure that in the long term it continues to be a good return for the City and the investment that the City and its citizens have put into creating this utility.

Commissioner Becht said he is going to disagree with Mr. Drummond. He thinks the most valuable resource they have here is their people. Part of the problem they have with their utility rates is that it unfortunately more heavily impacts the poor than it does those who have jobs.

The next item on the Agenda was Discussion regarding Fort Pierce Utilities Authority incentives for new employers and consumers.

Commissioner Becht said the reason he asked for discussion regarding FPUA incentives for new employers and consumers be an item on the Agenda is because if they can tackle this problem from a different direction with the creation of jobs... When he and Commissioner Sessions and the Mayor were on the campaign trail, there was a screaming by the population for not just jobs, but good paying jobs. He has been up here five years and in the business community. How do they, as a governing agency, create a job? He doesn't think they create a job, but they create fertile ground for somebody else to create a job. Right now with certain things the Utilities Authority in his opinion legitimately needs to do, they are an impediment to business. They have to come up with a way to deal with those issues. He thinks it is unfair to ask the Utilities Authority to waive impact fees or whatever the other fees... What is the other acronym they have?

Mr. Thiess said capital improvement charges are the impact fees. They also have guaranteed revenue charges.

Commissioner Becht said he wants to begin a dialogue, he thinks this is important. The idea that they would go to the Utilities Authority and say their rates are too high, he thinks they have looked at the rates and it is the bill that is too high for their poor population, that is the issue. It is putting people on fixed incomes out of their homes. If they could figure out a way to do what they said they were going to do during the campaign... He is not picking on Commissioner Sessions, but he was there, he heard at the same time that they need better paying jobs. The discussion he hopes they start today on how are they going to deal with the various fees the Utilities Authority has to fairly charge for new development is going to help them lay a fertile ground for new development to spring forth. They have Jane Bachelor from the Research Park with them today. But the research ground, no pun intended, is very fertile ground for higher paying jobs and jobs that don't exist today. He had lunch with her a couple of weeks ago and they met one time this week, and he broached with her - how is she going to bring somebody in who is a real industrial user and they need water? He, Bill Thiess, Doug Anderson, and Tom Perona met with a potential user, a multi-million gallon a day user. He didn't comprehend the impact that had to the Utilities Authority, which the City of Fort Pierce owns, and the excess capacity as a resource. They were going to burn that resource and create 100

jobs. Ms. Bachelor pointed out to him that maybe this isn't the right industry to burn 2 million gallons a day of excess capacity, when industry standards are that it should really should generate 2,000 jobs, not 200 jobs. It is a complicated discussion. He wanted to have Larry Pelton here today, but he guesses he couldn't make it. Is Larry Daum here? Larry Daum is the County's Economic Development guru. He has financial tools in his mess kit at the County that would be able to produce money to pay FPUA the costs of the impact fees for the benefit of the new business. Because if they address the economic problem, if they create the jobs, then the perception of high utility rates is diminished by the fact that somebody is earning a decent wage now and they are not impoverished. It doesn't completely solve the problem. Quite frankly, they are never going to completely solve the problem. But rather than hamstringing them by telling them they want them to operate in a rate structure that they have made a decision jeopardizes the financial integrity of FPUA, it would seem to him if they can take a segment of the population that is unemployed and make them employed, they have solved the utility problem for that section of the population. The problem needs to be attacked from multiple directions and this is only one of the ways to attack it. He was hoping to get a discussion started on it today. He would ask Mr. Thiess to give them a simple explanation of the various charges that would be charged to... Would Ms. Bachelor give him an industry she would like for Mr. Thiess to explain to everybody in the room... FPUA Board members he doesn't think needs the explanation; but at least the City Commissioners who are here need an explanation of the various charges that FPUA is going to hit a new business with in the Research Park.

Mayor Benton said they have been meeting regularly with Mr. Pelton, Mr. Recor, and Mr. Thiess, because they are trying to not only bring business in, but to retain business. Orchid Island Juice Company, they have issues with their utility bill. They can get briefly into it today, but it is going to take a real workshop with the Research Park Board, with the Economic Development Council, and probably the County all together. It is going to take probably several hours or half a day to put together what works in other communities and what they can do here in Fort Pierce.

Commissioner Becht said it would be some benefit to the Commissioners knowing what the FPUA is going to charge a new business in the Research Park that the City is looking to annex. It would be most helpful to him. He is looking for feedback from Ms. Bachelor and Mr. Thiess. He is assuming the Mayor knows this stuff backwards and forward after five years being on the U.A. Board.

Mayor Benton said when they were at the table with a firm that wanted to come out to the Research Park when they were looking at whether they can make ethanol out of citrus rinds, he had to ask a dumb question with all the engineers at the table - why do they need City water? Why can't they drill a well? Sure enough, they found out they could drill a well and save thousands of dollars. All they would need is City water for the

30 employees in the building.

Commissioner Becht said also they don't burn the excess capacity, which the U.A. would now have available for use by major industries.

Ms. Jane Bachelor, Board Chair of the Treasure Coast Education, Research, & Development Authority, said that actually was a tremendous outcome from the last meeting she attended. They actually have the opportunity to do some well water resourcing in the Research Park in lieu of using thousands of gallons of water. The industries coming to the Research Park obviously vary a great deal. What they have done as part of their Master Plan is identify categories of businesses. One of the main categories is in the agricultural biosciences field. So what they will be looking for will be businesses that are doing conversion type work. The citrus example is a great example. Businesses that will need water to take algae and convert it to energy. Those types of leading edge businesses that are looking at something that is somehow land or agriculturally related - and she uses agriculture in the biggest definition of the word - are the entities that are probably most interested in looking at an opportunity in the Park. In addition, they have dedicated in their master plan what they have targeted in addition to the agricultural biosciences businesses, such as energy businesses, nano-technology, earth sciences, robotics, and information technology. But they are not limited to just those fields. They will look at other interested entities and potential tenants if they come and say they have the ideal space for what they have. But what makes this 1,650-acre park in western St. Lucie County so unique to the area is really two things. One, it is the largest research park in the continental United States. And secondly, they have an opportunity for not only research on this property that is sort of the standard research that goes on in some type of laboratory or enclosed building environment, but they also have enough acreage in this Park to be able to do what she calls green growth. They can do crop type growth, they can do outdoor experimental research on land. In fact, the Park is really dedicated that way, about 850 acres for the bricks and mortar type research facilities and the other roughly 800 acres for crop experimentation and growth, whatever that crop might be. They often think in terms of crops in a very conventional defined way. This is scientific cropping, so it could be blades of grass or it also could be algae.

Commissioner Becht said what he was looking for her to give them is a hypothetical business and what their water consumption needs would be. Mayor Benton just mentioned one. What he is looking for is a hypothetical business or one that she might be tentatively courting right now. What would their water needs be per day? Does she have any idea?

Ms. Bachelor said honestly she doesn't know, because any tenant they are in discussion with right now they have confidentiality agreements, so she can't reveal too much information. Larry Pelton is the one who would know complete details for the tenants he sources for the Park.

Commissioner Becht asked the one the Mayor was dealing with, what is their water consumption?

Mr. Thiess said he doesn't recall what the consumption was; but the impact fees were in the order of \$3 million or \$4 million or maybe \$5 million. Project X was \$18 million or something like that. This one was under \$5 million, much smaller.

Mayor Benton said that was before the wells. When the well was brought up, that cut most of the cost.

Mr. Thiess said they asked the question - do they really need potable water? Being a washing process with the biofields, can they get along with Floridan well water? And they came back a couple of days later and said yes. So that took 85% or 90% of water demand off them their system.

Commissioner Becht said take 10% of what that projection would have been and walk the City Commissioners through all of the various charges that business would incur.

Mr. Thiess said he doesn't have all that here with him. He could do that at a later date. But the impact fees he thinks are \$2,815 on wastewater and \$1,875 on water, so that is \$4,680 total per equivalent residential connection. So if they had 30 employees, usually they do a business based on so many gallons per employee per day, he thinks it is 20 gallons, so they are only talking about for the office 600,000 gallons a day, maybe three ERC's. So for the office setup, they are only talking about \$15,000 in water/wastewater impact fees.

Commissioner Becht asked but if they need water for the industrial production?

Mr. Thiess said that is a whole different story, that is a much bigger demand. That was the \$5 million.

Commissioner Alexander said speaking about wells, when there is a drought, no one is allowed to use...

Mr. Thiess said no, if they have a well which is permitted through South Florida Water Management District, they can still draw.

Commissioner Alexander asked is he telling him they can draw water, but the community can't draw water?

Mr. Thiess said FPUA provides water during a drought too. The restrictions are on irrigation and car washing, those types of uses. Even during a drought, if they are permitted to draw out of the Floridan Aquifer 3,000 gallons a day or whatever, they can still draw that because they have a permit. They are given 20-year permits now. Also, the Floridan isn't affected by the droughts nearly to the extent that the surficial aquifer is. And all the new permits are issued in the deep Floridan Aquifer. So that wouldn't be a problem. If they don't need potable water and they can get well water and put their own well in, FPUA is fine with that. In fact, it is better for them.

Commissioner Becht said the information he wanted to get out on the table today is there is at least two different fees or charges FPUA is going to charge new business. One is an impact fee. That is for water and wastewater?

Mr. Thiess said and for electric. Electric is minor compared to the other two.

Commissioner Becht said under their current rules there are impact fees. There is another for capital. What do they call that?

Mr. Thiess said the impact fee is the capital improvement charge. The other one that hits them right up front is the volumetric rate charged to use the commodity on a day to day basis. That was the other big one for Project X. It was a pretty healthy water bill. It was a six figure water bill.

Commissioner Becht asked that was pure consumption, right?

Mr. Thiess said that is consumption.

Commissioner Becht said consumption is not what he is looking at.

Mr. Thiess said the other big one was guaranteed revenue charges. Project X was looking at buying 2 million gallons a day capacity, but not using it. So if they buy it and don't use it, they have one year; then after that year, they pay guaranteed revenue charges on what they don't use. That is set up because when they sell that and collect their impact fees, they are holding that capacity and can't sell it to anybody else. They are maintaining the plant and sitting on hold for them. They have to get paid for maintaining that capacity and not being able to sell it elsewhere. That is guaranteed revenue charges.

Commissioner Becht asked what is their excess capacity now?

Mr. Thiess said right now their capacity is up around 19 mgd and they are only pumping on an average of maybe 8 mgd. They were at 9 mgd, but they have gone down the last two years about a million gallons a year. So they probably have very close to 10 million gallons a day excess capacity. A lot of that is because of conservation, dropping customers off. That is probably the two big ones - conservation and losing some customers.

Commissioner Becht said the discussion that was taking place with Project X was the fees for creating 200 jobs was in the neighborhood or north of \$10 million, if he recalls.

Mr. Thiess said it was like \$18 million for water and wastewater impact fees.

Commissioner Becht said so it was \$18 million to bring in a major industry. He has heard discussions - and discussions were not made confidential to him - that a photoelectric producer may be looking at the Research Park; and as they create the mirrors and glass for that, well water won't work, they have

to have potable water. And that is going to be intensive, that is not 30 people flushing the toilet three times a day. The issue he wanted to make sure the City Commission knew is that the U.A. is going to charge legitimate and needed fees for this new industry to come in. Every time this happens, to his knowledge the current County Administrator or the next County Administrator and one or two County Commissioners are going to come in, and Larry Pelton is going to come in, and beat on the U.A. and say they need to waive these fees. The taxpayers of the City of Fort Pierce have created 10 million gallons a day of excess potable water. That didn't happen by God giving it to them, it happened by people spending money to create the facilities to have that excess capacity. If they give away the next 10 million gallons of capacity, if they give it away, that capacity is now gone; and the next industry, once that capacity is exceeded, there is no capacity to give them, there is no capacity to incentivize them without recreating it. So the goal is and the proper policy for the U.A., he thinks, is that they collect the sufficient money now. If they commit any portion of that 10 million gallons a day to new industry, they collect sufficient fees to replace that capacity. The goal he has is that in order to incentivize a business to come into the Research Park, the U.A. is going to need to charge that money. They have to find the money for the Fort Pierce Utilities Authority from some other source, whether it be the County, the State, Federal, or some creative process. They don't have the people in the room to fully address the issue today; but he wanted to put it out on the table so all the Commissioners know their Utilities Authority is getting beat on every time a new business comes. That is not fair that the FPUA - and indirectly, the City - should disproportionately bear the cost of bringing new industry to the area. If they don't deal with the problem, industry is not going to come here and that 1,650 acres of prime property they call the Research Park is going to be behind the proverbial eight ball in trying to negotiate for new businesses to come into the area. He wanted to bring it to the table so everybody knows it is a problem. He doesn't have the solution and he doesn't think Ms. Bachelor has the solution. But if they identify the problem, they start toward solving the problem.

Mayor Benton said he thinks that is what they need to do. He knows the U.A. Board is on track with this. He thinks they all need to sit down and work with the experts to find out what has been done in other areas. Because he thinks Michigan and Minnesota, several of these firms they are talking about, they are competing with them. These states are throwing in everything, as Tallahassee did with Torrey Pines. But that is not done statewide like it was with Torrey Pines. But up there, that is what they are competing against. Somehow they have to be more competitive, but it is going to take help from the State.

Mr. Thiess said what they need to do - and they have talked to their rate consultant about this too - is develop an economic development plan for the Research Park. The economic development plan would involve the Utilities Authority, the City, the County, the EDC, the Research Park, and all the players involved, and everybody would do their own incentives.

The City and the County would do tax incentives. The U.A. could probably do an economic development rate where they get real good deals the first year; and it is usually a declining rate, after five or ten years it goes back to the normal rate, but it is an attractive rate to get a business started. There is a whole list of things they can do as incentives for somebody to come in here, but it has to be a group effort. The U.A. can't do it unilaterally, the City can't do it unilaterally. It takes all the agencies getting together. They would probably want to bring either a facilitator or somebody who has set up an economic development plan in another community and do a lot of homework before they get all these people together. Because if they are going to have a large group of people involved in this, they ought to have somebody who has done it before, who knows what to do, and can lay it out for them in a half a day workshop. It would go a long way toward putting that plan together.

Commissioner Becht said he is real excited with all that. But he thinks they are going to have to figure out a better way of doing it. They have to know how other people have done it, but he thinks they have to figure out a better way to do it. That is what will distinguish them and make them more attractive.

Mayor Benton said that is a starting point.

Mr. Perona said they hit on a lot of good points. They went through the exercise. He thinks it was the first time the Utilities Authority, since he has been on it, got to sit down with Larry Pelton on Project X that wanted all those demands and everything. They got to visit that whole attitude. Their capacity is limited. When they start talking about 10 mgd and they are sitting there saying it is a waste? It isn't a waste, it is an asset. It happens all the time. Who do they give it to? Do they just throw it at some big plant that is going to use it all and they get the proceeds now? They limit their availability. When the City decides to grow a little bit and push its boundaries out and wants this development and that development, if they don't have the capacity, they have a big problem. The Utilities Authority have talked about it, he thinks they visit this every year in a workshop. They had a workshop in August and talked about this. It is something they are now looking at all the time. When they bring industry in, it brings jobs. All the politicians are out there hammering on about jobs. It is a good thing for the Utilities Authority too. Because if the Utilities Authority isn't growing in numbers, it is dying. That is what has happened over the last year or so, they haven't moved forward. That means that the customers that are out there who put this thing together are paying for all the R&R and everything else right now, and new customers aren't coming in to help them out. So they are not just sitting on this side of the table watching the City Commissioners go out there and try to build jobs because that is what they promised the community to do. The U.A. is part of that team, because they make their Utilities Authority a heck of a lot stronger and move in the same direction. So when Commissioner Becht is talking about this stuff, the U.A. is on line. The U.A. might not see it exactly like the City, so they might want to move a

little bit easier on the Utilities Authority. But the City Commissioners appointed the FPUA Board to make sure they don't give away the ranch. And that is exactly what they are going to do. They can work in tandem, even though they might have to argue a little bit, but he thinks that is a positive thing. They encourage the Commissioners to come especially to that workshop when they do talk about it. They will give them plenty of notice. They sit down and have their consultants come in and tell them how it is going to affect their ratepayers right now and what can they do and what leniency can they do on their charges that can incentive these people to come and build in the community? This is how it all works together. When the Mayor pulled this meeting together, that is the thought process they have, they all have to work together. They may have a different approach to it, but they all have to do that. If people flip the switch and the light doesn't come on or the water doesn't come out of the hose or whatever else... That is what the U.A. is charged with. And to also try to keep the rates as low as they can. Reliability, economic, and everything else like that, in the face of what they have to do. What Commissioner Becht is talking about here is exactly what the Utilities Authority is excited about because it brings in more people in their community and helps reduce the cost to their ratepayers.

Commissioner Sessions said everybody at the table realizes and knows that they are going through a crisis right now in terms of the community and the cost of paying for the electricity in their area. If they are saying in order to offset that and take some of the burden off the customers, the taxpayers, or the stock holders in this company, which are the citizens, then they are to impose impact fees on potential companies to come in. Ms. Bachelor knows as well as he does that if in fact they shift toward that, he is sure she would agree that the quickest way to discourage potential companies from coming in is to impose impact fees. As a matter of fact in order to attract them, they are going to have to give them incentives to take away impact fees and tax breaks, otherwise that 1,600 acres out there is going to remain empty. So he is sort of confused as to where they are going with this. Because if they are going to offset and take some of this burden off the customers, then they are going to discourage businesses by imposing these impact fees. He has a problem with that concept.

Mr. Thiess said the impact fees are in place now. They can't get rid of impact fees. As part of this economic development plan for the Research Park, they have to find ways for other entities to subsidize impact fees, whether it is CDBG or other grant sources for ways to fund the impact fees. They can't waive impact fees, it would violate their bond covenants. There is no utility in the State of Florida - they have done a lot of checking - nobody waives or discounts impact fees, it just isn't done.

Mayor Benton said they tried. They have been at the table with a lot of groups and businesses.

Commissioner Sessions asked isn't that what he is proposing?

Commissioner Becht said no. The first thing he wanted to do is make sure everybody knew what the problem was. The problem is, based on bond covenants and other issues, FPUA can't waive the impact fees to incentivize a new development. What he wanted to make sure is that everybody knew that, because he did not know that until Project X, when they sat down and explained it to him. They can't do it. Even if it was prudent to do businesswise, they can't do it because of the bond covenant agreements. He wanted to let everybody know this is the problem, that they can't waive them even if they wanted to. Now the solution has to fall outside the FPUA and it needs to be with Block Grant money or with other Federal money or State money or something else creative. The new businesses are going to go to the Research Parks - they love the location, they love I-95, they love the work force, they love the universities, they love the beach; but they can't afford to move here because South Carolina says no impact fees when they come in. So they have to creatively come up with something else that deals with that without the developer having to pay it. Part of all that discussion is, why would it be fair for the U.A. to pay for it when actually some of those folks will live in Port St. Lucie, some of them will live in Okeechobee, and some may even live in Palm Beach. So why should the U.A. disproportionately bear, in that last instance, an \$18 million cost? And it is a real cost. Commissioner Coward on the St. Lucie County Commission has been screaming for years about making development pay for itself. That was a good policy and a good theory when they were in a heyday, but they are not in a heyday any more. They have to figure out a way to charge reasonable fees for that. But the appropriate industries they want in the Research Park, they have to figure out a way to deal with the impact fees. What he has been told is the FPUA can't waive them. That is the problem. Other than calling it to light, he doesn't have the solution.

Mr. Summerhays said even if they could, he would vote against doing it. He would vote against doing it because the FPUA isn't some deep well of money. If they don't collect the impact fees that pay to build the new infrastructure for these new industries, the only place they would have to get it would be rates. They would have to raise what every one of their customers pay for electricity and water and wastewater in order to pay for this and to get a business that in reality can't get the deal they are asking them for anywhere but in just a couple of real specific spots. They can try to compete with those people. But the U.A. can't do it, they don't have the resources. It is going to take everybody.

Mayor Benton said he thinks everybody here agrees they really need to go into a lot of detail with this and have that workshop and think out of the box. There is a business a block from here that he has been meeting with several times in the last few months. He was led to believe they were considering leaving Fort Pierce because they wanted to get a more convenient location. They moved to Fort Pierce because Vero Beach threw them out. They love it here. They are known throughout the world for the best orange juice and grapefruit juice. Can you imagine what their utility bill is a month? He saw one the other day, and he thinks it was a lower one, it was \$50,000 for

utilities for one month. \$18,000 for electric. They are going to bring in the experts. It is just like weatherizing a house. They have an old building over there that was a bakery that is cooling the atmosphere. They want to stay here and FPUA is going to do everything to keep them here. But that is something that nobody in their wildest dreams, except for the folks who deal with the utilities... How much juice do they have to sell to make a profit when they have a utility bill like that? So they are working on it. It was something he wanted to bring up today, because he is sure everybody like himself was very surprised. It is something they really have to get down to the nitty-gritty and work with the experts and bring in some expertise on it. Do they all agree they need to really get going on this issue?

Commissioner Becht said he didn't expect it to get solved today. But he was somewhat floored by the issue when he got confronted with it. He just wanted to make sure the other Commissioners were aware of how significant an issue this is for fulfilling a campaign promise of bringing new jobs to the area. Because they are going to have a hard time doing it if they have to charge \$18 million in impact fees. They have to find another source for that \$18 million. It benefits the City Commission to find a resource for the impact fees rather than asking the U.A. to take it on the chin. If they could find a way through the State, the County, or some other way, their U.A. stays financially healthy and they still get the industry. So that is kind of looking at it from a bigger picture. Even if the U.A. could afford it, if he can get the money from a broader population that will benefit from the new jobs, that is the more appropriate way to share the burden. He has talked about it enough. He would like to have a caucus of right minds in one room that, once the problem is identified, they can start talking about where they need to go to get answers.

Commissioner Sessions said he would be remiss if he didn't say something. He heard from Commissioner Alexander and he heard from Commissioner Becht with regards to what they are dealing with and the crisis they are dealing with. If nothing else comes out of this meeting, he believes at least hopefully they can agree to disagree. But his expressions of dissatisfaction with the Utilities Authority does not come from him personally and he wants everybody at the table to understand that. About a year ago he went out and canvassed the City. The biggest issue for the citizens was that they felt the Fort Pierce Utilities Authority was charging too much for electricity. At that point he decided to make that a part of his platform in order to address. He has been blessed where he can pay his bill. He gets tired of going back and forth with this issue over and over again. He would like to discuss more important things like bringing in companies and industry into the Research Park and seeing better days. But they have so many people suffering in this City. They can walk out of this building today and go on business as usual; but he can assure them, as far as he is concerned he has not fulfilled his duty and he won't be satisfied until they can do something about this crisis they are facing here within the City. He believes a lot of it has to do with the comfort level. A lot of their citizens are not

comfortable with what is going on and they want a third party to perhaps come in and make some suggestions and look into it and see what they can do about it. It is not a northwest section versus a south section of the town, it is not a beach section versus the west side, it is not a black or white issue, it is not a rich or poor issue. It is an issue people are concerned about throughout the City. Individuals don't even want to come within the City of Fort Pierce to even rent when they see that the Fort Pierce Utilities Authority is attached to it where they have to pay that electric bill. Small companies and small businesses are suffering. Industry and businesses are not interested in coming into this area. When they mention the Fort Pierce Utilities Authority, they don't want to have anything to do with the City of Fort Pierce. He feels they owe an obligation to the customers. He feels that they have to stop running the Utilities Authority as if it is a privately owned entity. It is owned by the citizens. The citizens are the taxpayers as well as the corporate owners of this business. They owe them an obligation to do all they possibly can. They can't walk out of these doors and continue to go on business as usual with what is going on. It is incumbent upon them to do something about it.

Mayor Benton said being on this Commission for 13 years, he can tell them it is not the Utilities Authority. The stigma that is surrounding Fort Pierce because of the surrounding communities used to be crime. Crime is at a 30 year low, they have overcome that. They have overcome a lot of the infrastructure, they are working on it. But it is their job as leaders in the community to get the real straight information out there, why the numbers are what they are. The reason why Orchid Island Juice Company moved to Fort Pierce is they were being thrown out of Vero Beach - Vero Beach would not work with them and FP&L didn't offer them any better rates. But because Fort Pierce has a water and sewer system that could accept their waste and everything else and FPUA worked with them, they could be spending a lot more money on those tanks they wanted to put in to deal with their waste. So they worked very diligently with Orchid Island for years and they are very happy about it. Orchid Island is their biggest cheerleaders.

Mr. Thiess said the first line of defense right now against the high utility bills is conservation. FPUA has been getting that message out and trying to preach that message. They met with Commissioner Alexander and a family who had a \$1,000 utility bill.

Commissioner Alexander said \$1,300.

Mr. Thiess said what he saw was \$1,031. Anyway, the problem was uncontrolled excessive use of the resource. They met with them and showed them what was wrong. Their bill the next month, after just doing a few things plus the cooler weather helped, they really knocked that bill down. They are trying to get the message out. They put it out in the bill stuffers. They started this Weatherization Program, which is underway. They have completed half a dozen homes with insulation and everything. When he went to the FPRA when they had the meeting

where they okayed the plan, he mentioned that this is a good thing, the insulation will help, all these things will help; but it won't do it all unless the people adopt conservation practices and get control of their use. When he said that, one of the Commissioners said she does all this conservation and her bill keeps going up. That is the kind of thing they need to work together on. When they are here trying to preach the conservation message, they don't need a Commissioner sitting up there on television saying conservation doesn't work. That is counterproductive to what they are trying to do.

Commissioner Alexander asked which Commissioner said that?

Mr. Thiess said Commissioner Coke said that. That is the thing they have to work together on. They don't need to be criticizing each other.

Commissioner Alexander asked what about when they are speaking the truth? Mr. Thiess and no one else nor should a Commissioner tell any one of them what they can say.

Mr. Thiess said right. But what he is saying is, they need to work together on these things. To him, that is not working together.

Commissioner Alexander said that is the beginning of working together, respecting other's opinion. He and Mr. Thiess get along even though they might differ. The Mayor and he agree to disagree. Because what bothers him more than anything is that one section of town is the most dilapidated and it is 75% rental properties. Where they may need to start is where those landlords are. How can they tell a code inspector to go in and inspect? He is just asking the question because he doesn't have an answer to it.

Mr. Thiess said they are doing the weatherization on rental properties too.

Commissioner Alexander asked Mr. Thiess said a half a dozen?

Mr. Thiess said the program just started. They hope to do about 200 a year.

Mayor Benton said let's try to get moving on with the Agenda. There is plenty of time for discussion. That is why they are here too, they want to throw everything on the table. He hopes this is the start to working together as a team.

Chairman Cully asked what about those landlords? She thinks that is something they need to consider and look at. She believes if the landlord has someone who leaves, there should be an inspection to see that the home is worthy of living in and that the weatherization has been done before the next one...

Commissioner Becht said he thought she was going to run for a political office one day, but she sure ended that right there.

Chairman Cully said she doesn't really care, because what is

more important is that something gets done.

City Manager Recor said but those are the very kinds of topics and issues that if they want to make a dent, if they want to make a difference, those are the things that the elected officials have to be willing to do.

Ms. Bachelor said she is not a politician so she can say those things.

Mr. Perona said these are City issues.

Mr. Summerhays said it is always the same people screwing their tenants.

Commissioner Alexander said he has to agree. It is disheartening, that is what he is trying to say. It is a life or death issue. People who don't take their medicine versus making sure their lights are on. They all get calls from people who have their electric disconnected and they are on life support or they are on oxygen. Yet they say they can't help them because it is Friday and they have to wait. They shouldn't have that type of attitude. He gets ticked off when he hears a response like that when people are on oxygen and they tell them it is Friday and they can't do anything. Electric runs 24/7, he thought. He just needs for them all to be considerate that others are considered with their most blighted section. They spent \$50 million downtown. Spend \$10 million in District I and see what a difference it will make.

Mayor Benton said they have spent millions of dollars all over Fort Pierce. They have spent millions of dollars here and millions of dollars there. It is in writing. The City Manager can give him that information right now. But today they are trying to resolve issues with the Utilities Authority. The FPUA has a limited budget, because any time they want to get them to spend money, they are going to have to raise the rates to do it.

The next item on the Agenda was Discussion regarding **Citizens Utilities Advisory Committee**.

Mayor Benton said the Citizen's Utilities Advisory Committee they had put together, at their last meeting they decided to dissolve the Committee. He doesn't have a copy of the motions they had made in front of him, but he thinks they all...

Mr. Thiess asked do they want him to go through the motions?

Mayor Benton said yes, if he has those in front of him.

Commissioner Becht said his preference would be to hit the motions that call for action, not findings of facts, but what they are asking the U.A. to do going forward.

Mr. Thiess said the first motion was that there is no rate disparity. Approved, 5 to 3. The next motion was the concept of the mechanical function of the meters were true and accurate. That was unanimously approved. The next motion was for the U.A.

to encourage customers to conserve as much as they possibly can. It died for lack of a second. The next motion was to recommend reconsideration of the element of the FPUA Charter that requires a super-majority of 4 votes to overturn or deny or disapprove the budget. That failed - 3 in favor, 4 against, and 1 abstention. A motion to have the City Commission look further into the possibility of coordinating some elements in administering operations of the FPUA as allowed by the City and the FPUA Charters. No vote taken. Another motion was the possibility of combining some elements of the operation of the FPUA and the City - a similar motion worded differently - was passed unanimously. A motion that the 25% surcharge is fair and equitable, that passed unanimously. A motion that the City Commission be responsible for exploring some rebate programs for hardship customers in the City of Fort Pierce, for the City Commission to subsidize programs for hardship customers, that passed unanimously. A motion to look at public relations and have a one-page flyer to churches and organizations and do PR stuff. No vote was taken, it died for lack of a second. A motion to make a recommendation that the City Commission explore the possibility of long-term timely payment incentives. That was a 4-4 vote, so it didn't pass. A motion that the current utility deposit structure is extremely fair to the customer based on current economy, that passed unanimously. A motion to encourage the City Commission to review output from inactive account charges Workshop conducted on August 25, 2008, and review any changes to the rate structure related to inactive account fees that the FPUA might bring forward, that passed unanimously. A motion for the City Commission to give the Committee direction passed unanimously. A motion that they look into the feasibility of placing the abolishment of the FPUA Board on the next referendum, that was voted down by 6 to 4 vote. The last motion was that the findings as of this date were incomplete and there is more work to do. That one passed unanimously. That is all the motions up to the meeting they don't have the minutes from yet. He thinks the only motion of substance on that one was to disband the Committee, and that passed.

Commissioner Sessions said it is his understanding that after that meeting everybody ran out of there on a rampage, upset with each other and dissatisfied as to the outcome and what the end result was and whether or not the whole entire concept which they adopted was even worthwhile. That is just from talking to people who were on the Committee.

Commissioner Becht said the people he talked to on the Committee did not have that perception. It wasn't just his appointees, it was other appointees.

Commissioner Sessions said he appreciates his input. But from the ones he talked to, it was just the opposite.

Commissioner Becht said what he would suggest is that accurately reflects the community at large.

Commissioner Alexander said the vote was 6 to 4. So if one other had voted against it, it would have been 5 to 5.

Mr. Thiess said the vote wasn't 6 to 4 because two folks had left the room on the last motion to disband the Committee. That was a different motion. The motion they are talking about now was the motion to disband the Committee. He thinks at least two people had left the room by then. He thinks there were only 8 voting.

Mr. Perona asked the participation from the Utilities Authority's standpoint was just merely for information, right?

Mr. Thiess said correct.

Mr. Perona asked so what does that indicate to Commissioner Sessions?

Commissioner Sessions asked what does he mean?

Mr. Perona said when they have a Committee that leaves disgruntled and whatever else, he is trying to find the message in that. He read all the Minutes and it seemed like they talked about every issue and they were accurate in what they did.

Commissioner Becht said the Committee did not leave disgruntled. Some members left disgruntled, some members did not leave disgruntled. What he and Commissioner Sessions are agreeing on is that it accurately reflects the sentiment of the community towards the FPUA - some see it as being properly run, some see it as not being properly run.

Mr. Perona said he just didn't understand, because he is trying to figure out from that standpoint. He has read the Minutes and he has talked to some of the people who were on the Committee. He thinks for the most part, whatever their contribution to this Committee, it was a great resource for the Utilities Authority, not so much in the fact that they feel comfortable doing business as usual, but that they are looking at it from an outside perspective with a lot more information and they are able to get a little bit... He thinks there were people who walked into that Committee who came out of it with a completely different attitude toward it all. That is the message he got. There is a lot of work to do and there are a lot of considerations. He watched Commissioner Alexander up there constantly beat his fist on the table saying they have to do something for their poor people.

Commissioner Alexander said they have some proud people in this community. And they don't just accept things, they ask for it to be fair. If it is fair and even, then so be it.

Chairman Cully said she did talk to a couple of people who were on that Committee afterwards. They said they really learned a lot about the U.A. that they didn't know about and they appreciated the fact they got an opportunity to sit on that Committee. But they are looking at two gentlemen here who actually represent the poorest district and it is on their back every day she is sure, complaints constantly. She thinks they all understand and appreciate that. It is just that they can't blame the U.A. These people's income is very low or they have

no income; and therefore, no matter what their bills are, it is painful for them right now and it is going to be probably even next year the way it is going.

Commissioner Becht said until they get them jobs.

Chairman Cully said that is true. In the meantime, she wants the Commissioners to know they understand and appreciate what they are going through on a daily basis. But there is nothing the U.A. can do itself. These rates are what they are. They aren't going to be able to reduce them any time soon. All around the country the utilities are in the same boat they are. All they are trying to do is maintain and keep things as best they can without having to do any special or extra projects right now. They are just trying to maintain and keep things going as evenly as they can in order to keep the rates where they are and not having to increase them at all.

Mayor Benton said one thing he thinks everybody at the table is concerned about more than anything is, there are a lot of senior citizens who cannot go out and get a job and they are on a very limited set income. They are the ones who need that air conditioning when it is real hot in the summertime. Those are the ones he has the biggest concerns for. Young people can do like he did, get three jobs if they have to. But the seniors are the ones he does have a place in his heart because they need help. But those are the results of the Committee.

The next item on the Agenda was Discussion regarding recent increases in Power Charge Adjustment (PCA) and the constraints under which the Fort Pierce Utilities Authority is operating, including a 30-year Florida Municipal Power Authority (FMPA) Agreement and the Florida Power & Light (FPL) Service Territory Agreement in Perpetuity.

Mayor Benton said there is a reason for the rates being what they are. The Commission needs to know what they are looking into, especially when they look at how they became a partner with FMPA back in the 1970's and why they are looking to possibly maybe dissolve that if they have to.

Mr. Thiess said it is no secret that the rates are high. They probably wouldn't be here at this table if the FPUA rates weren't high. They are not arguing with that, it is pretty clear they are high. All utility rates on the electric side are a lot higher than they were a year or two ago. FPUA's are relatively high compared to FP&L right now, but he thinks that gap is going to close. He thinks what they have to understand is what the constraints are that they are working under, why the rates are going up, and what they can or cannot do about it. He thinks this is important stuff to digest because it really tells how they got here and what they can or can't do. There are some key agreements that they have to work under and they can't make them go away. The first one is the FMPA All Requirements Project (ARP) Purchase Power Agreement. That is a 30-year contract that renews every five years, so it is an evergreen contract. There are only four ways to get out of that contract. One is to give a 30 year notice, continue buying power for 30

years, and at the end of 30 years they are out and can do whatever they want. That obviously does not provide immediate relief. The next one is a Contract Rate of Demand. That is the one that Vero Beach took. Vero Beach gave their notice he believes in 2005. How that works, they give a five year notice that they are going to go out on a contract rate of demand. At the end of five years they can pull the resources they have in the ARP Agreement back out of the pool. They have about 46 megawatts he thinks between the Stanton coal projects and St. Lucie Unit 2. So at the end of five years they can pull their resources out. Now they have those at the wholesale rate that Stanton is charging, which is considerably lower than what the ARP is charging. But for the next 25 years they have to continue to take the difference between their fifth year peak usage, less their resources. They have to continue to buy that power for the next 25 years, which is still a considerable chunk for FPUA. So that is the Contract Rate of Demand way out. Another is a one-year notice. At the end of one year, provided they meet the requirements. The requirements are that they make FMPA whole for 29 more years. In other words, they are paying the bill for 29 years and they are not taking any power. That one is so onerous that there is no way in the world anybody would take it. It is there for legal reasons, probably so they do have a quick out, but it is very expensive. The last one is if the ARP members dissolve ARP. There are 15 members of the FMPA members in the All Requirements Project. FMPA is us, the ARP is us. Fort Pierce Utilities Authority is one of 15 members. If the 15 members of the All Requirements Project wanted to end it and said this just isn't working for them, then the 15 members could end the ARP and it is done. Personally he doesn't think that is going to happen. He thinks what the ARP is working toward now is getting the All Requirements Project rate more competitive and get closer to the progress and the FPL rate. That is the focus right now, so he doesn't see that happening.

City Attorney Schwerer asked that takes all 15 members?

Mr. Thiess said it would take a majority of the 15. He is not sure exactly how it happens, but obviously the ARP is the 15 and the 15 can undo what they have done. But he does not see that as an option because he thinks the ARP is focused on getting more competitive and getting close to the investor-owned rates. The other constraint they are working under - it is not going to go away and it can't really be changed unless both parties change it - is the FPUA/FPL Service Territory Agreement. The term of that agreement is in perpetuity, so that agreement is forever unless the parties agree to change it. That defines the service territories and certain other terms which they can and can't do. One very important thing in there is that the service territory boundaries do not change with annexations. So if there are areas outside the City now that are in FPL territory and it is annexed by the City, it is still FPL territory, it doesn't revert to FPUA. So that is another constraint.

Commissioner Becht said that map would be interesting to see.

City Attorney Schwerer said that is electric only.

Mr. Thiess said moving along, there are several things driving up the cost of power. First and foremost is the increase in cost of fuel. It is important to know that FMPA's power pool mix is 68% natural gas. So natural gas prices drive the fuel prices for FMPA. The cost of natural gas increased 93% between January and May of 2008. Coal prices have also close to doubled in the last year and a half. Every utility is facing this. They see it in the news every day. They are all going to the Public Service Commission for rate increases. They have to understand that this is occurring in Florida, it is occurring throughout the country, it is occurring overseas. If they look at some of the rates they pay in Europe for power and water, it would stagger them. It is not just a local problem, it is being experienced all over the country and all over the world. Fuel costs are going to go up. Another one that is driving it up, probably at a little slower pace, is the increasing cost of constructing power generation. One important part of that is when the Governor pretty well took coal out of the mix. The Governor's energy policy eliminated coal plants. That leaves two base power generation options - natural gas and nuclear. That is pretty much it for Florida. FMPA constructed a plant on Glades Road at a cost of \$273 million for 300 megawatts. That is about \$910,000 per megawatt hour. That seems expensive, but actually it was good deal. The exact same facility is being built at Cane Island by FMPA. The exact same unit, 300 megawatts, went from \$273 million to \$470 million, and they are about two years behind schedule. That is a 72% increase in two years. A lot of that is supply and demand. FMPA had been looking at building a big coal unit up in Taylor County. When that went off the shelf, natural gas is the only way. And the price of equipment goes up, everything goes up, so that is supply and demand. 72% in two years is pretty significant. If they think that is bad, the price they are looking at as FMPA is considering going into the Progress Energy Nuclear Plant, those prices are \$8 million per megawatt hour. Looking back at the Treasure Coast Energy Center, \$910,000 per megawatt hour. At Cane Island it went up to \$1.6 million per megawatt hour. Progress Energy Nuclear Plant is \$8 million per megawatt hour. That is just a phenomenal difference, it is five to nine times the cost of natural gas generation. Nuclear has a lot of problems. Other than cost, it has a lot of lead time, they are looking at 10 or 12 years to put it on line. Also, there has been no nuclear plants built in the U.S. in the last 25 to 30 years. The last plants were in the 1970's. So there are a lot of unknowns with the NRC and everything else. There is a lot of uncertainty in the nuclear scene as well. One other thing that is driving them up is Green Power Initiatives. Green power is good. The power industry buys into green power, it is all good. Wind power, solar power, renewables. The one thing they have to understand, green power costs money. Green power is not free, it adds on to the cost. Part of the green power was eliminating dirty power and coal power. FMPA had spent \$9 million or \$10 million in the initial work on the Taylor County site. That money was wasted when the Governor nixed the coal power plants. The option of that land was sold. They are out of coal business altogether. The other things that can really run the cost up on green power is if the Governor or the Feds set unrealistic

requirements for renewable energy. If they say they have to do 20% for the next five years, that is going to put a phenomenal increase on the rates. Because of all the green energy in Florida, the major ones are wind and solar, they are not base load generation. They have to be constructed in addition to the base load generation. When the wind is not blowing and the sun is not shining, they have to rely back on base load generation. So the majority of the green alternatives in Florida are built in addition to the base load, so it is an extra cost. The only savings is on fuel, because when the green source is running they can back off on the fossil fuel or other plants and not use the fuel, but it is definitely cost added. The other one that is coming up with the new election nationally is if they do a Carbon Cap & Trade Policy or a Carbon Tax. That is also going to drive the power up. It is going to hit coal plants the hardest because they have the biggest emissions. Next in line behind the coal plants would be the natural gas plants. So if the Feds get in green again, if they go to the Cap & Trade or the Carbon Tax, that is going to drive the costs up. All those things have been working like the perfect storm to push costs up and none of that pressure is going to stop any time soon. Getting back to their situation with their Power Cost Adjustment, the way he likes to explain the PCA is it is the balance between the wholesale power cost, the money they are paying to FMPA in Orlando and what they receive down here in retail sales. If they picture a pot of money in the middle, that is the over-collection and under-collection pot. So if they are paying more out to FMPA in Orlando than they are getting from their customers, the pot of money disappears and they need to raise the PCA to bring it back. If they are getting more money in from their customers than they are paying out, the pot of money builds up; and at some point they can cap it off and maintain a little bit of a rate stabilization fund in there and lower the PCA. Right now PCA is as high as it has ever been. They had the most increases they ever had. In one year, from July 2007 to July 2008, the PCA went up \$36.00. That is unprecedented, it has never happened before. Last month when they did that last \$12 increase, one wholesale bill went from \$200,000 over-collected to \$800,000 or \$900,000 under-collected in one month. They put the \$12 on to compensate for that. If they had said let's ride with that and let their reserves take care of that, they would have been broke in ten months. That is all they could have covered is ten months worth of deficit with their \$9 million in cash reserves. To put that \$36 in perspective, if they multiply \$36 times the power they buy in a year, it equals their entire payroll including benefits, it equals \$21.4 million. That is just the PCA in one year. That \$36 added on is equivalent to their entire payroll plus benefits. So to think they could absorb that, obviously they would have to let the entire staff go and just walk away from the utilities. It can't happen. By comparison, their rate increases have been about 9% over 12 years. In dollars, on 1,000 kilowatt hours, it is just under \$8 for 12 years. Divide that by 12 years, it is \$.67 a year. The rate increase is the money they actually can use, not the taxes they pay to the City or the State. The money they could use, \$8 per 1,000 kilowatt hours, is what they have raised in 12 years, \$.67 a year. If they look at the \$.67 a year compared to the \$36 in one year

that they raised the PCA, it is a factor of... Their increase over the last 12 years is 2% of what one year was on the Power Cost Adjustment. So that kind of puts everything in perspective. Looking ahead, this is another thing that has them a little sideways, natural gas prices are driving the bus. Natural gas prices are largely responsible for the \$36. Natural gas prices shot up to \$14, about 93% in five months. It went from under \$8 up to \$14. At that time when it was going up, FMPA hedged heavily at \$10. It looked like a good move when it was at \$14. Everybody was saying they are heroes because they got futures at \$10 and they are looking good. Nobody expected natural gas to go right back down to \$7.50. The good news is, natural gas is down; and if that continues in the long term, they are looking real good. The bad news is that FMPA is in an adverse out of the money hedge position that they are not going to get out of any time soon. That is also something that can't be undone. FMPA All Requirements members are very aware of the fact, they have had separate daylong workshops just to address that one issue and to define a hedging policy for staff that will not get them in that position again. It is a temporary thing. They saw FPL say in the newspaper that they are backing off on their estimates for fuel adjustments because fuel is going down. FMPA can't do that yet, their adverse hedge positions keep them from doing that. They think it is going to unwind some by Spring and toward the end of the year they will be out of it altogether. They can never be sure it will never happen again. He thinks the hedging policy of FMPA is going to be much less aggressive and there is no way they are going to be hedged that far out at that high a percentage. They will never let that happen again. So the member utilities are on to that. Another thing that is important to consider here, they are \$3 out of the money roughly on the hedge now. Every dollar on the natural gas difference out of the money translates to \$4 to \$5 on the peak Power Cost Adjustment. So if they are \$3 out of the money on the hedge, they are \$12 to \$15 higher on the PCA than they should be. So when the hedges wind down and they get back to market, that will knock the PCA back down considerably. That is how sensitive the Power Cost Adjustment is to the gas price - \$1 to \$4 or \$5. So that is the key component in why they are where they are.

Commissioner Becht asked the hedge or the gamble that somebody made was they could buy gas at \$10.00 and now it is at \$7.50?

Mr. Thiess said it is back up around \$8.00.

Commissioner Becht said but FMPA doesn't save any money until it goes over \$10.00. So there is no cost adjustment until natural gas goes over \$10.00.

Mr. Thiess said the hedges they have on the futures they committed to, it has to be above \$10.00 before they are back at the market.

Commissioner Becht said which means none of the citizens of Fort Pierce are going to get an adjustment on their capital rate until natural gas goes over \$10.00.

Mr. Thiess said not really. The further out they get, the less of the futures they have at that price. They have done everything they can do to cut back and trade and self-contract.

Mr. Summerhays said the hedge is the contract to buy gas at a certain price for a certain period of time.

Commissioner Becht said they can call it what they want to call it, but it is a gamble.

Mr. Summerhays said it is a gamble.

Mr. Thiess said the other option is to ride the market.

Mr. Summerhays said they did it to try to smooth it out. It did, but it went down too soon, too fast.

Commissioner Becht said his point is, bad bet or good bet, there is not going to be an adjustment to the capital rate charge until gas goes back over \$10.00. So they put him in a position of hoping that natural gas goes up to \$12.00.

Mr. Thiess said but the Power Cost Adjustment is really the balance between what they pay out and what they bring in. They have a little bit of a deficit left, about \$500,000. The next two months he thinks will wipe the deficit out at the rate they are going. So no matter what the hedge is, there is a surcharge that falls off in November of \$7.50. So if the surcharge falls off and they start accumulating at \$500,000 a month, in a couple of months they could start backing off on the PCA no matter what the gas cost is doing.

Commissioner Becht said unless Commissioner Alexander or Commissioner Sessions think he is insensitive to this issue, during the month of July when no one was in his house he got hit with \$100 capital charge. So that was just an interesting month.

Mr. Thiess said what he wants to get across is he wants to try to paint the picture of why they are where they are.

Commissioner Becht asked in three or four months they might see an adjustment with the PCA?

Mr. Thiess said they might.

Commissioner Alexander asked how can they educate the public, without expecting the Commissioners to do that? He says it is at least three months in the future before they may see an adjustment?

Mr. Thiess said right. They figured the first step is to make sure the Commission understands it.

Commissioner Alexander said he can throw out all the numbers he wants to at him and he can sit here and go right along with him. Because he is like Commissioner Sessions, between he and his wife, they are able to pay their bills. But that is not speaking to the general public. When they come and ask him, he

sends them to Mr. Thiess, because he doesn't know. If anybody sitting at this table tells him they can explain that and they know how that is...

Mr. Thiess said the good news is they will be out of the hedges at some point, spring or summer or something like that.

Commissioner Alexander said then he can't explain that.

Commissioner Becht said Mr. Thiess says that is good news. But if natural gas goes to \$15.00, then...

Mr. Thiess said the other thing is the investor-owned are going up. Progress is still going for 25% increase. That is good news for FPUA, bad news for Progress customers. But the gap between the investor-owned utilities and the municipal utilities, he thinks by spring is going to be significantly narrower. Right now they are \$30-some dollars below FPL. He thinks in the spring they are going to be maybe \$15. That is what he is hoping for. And maybe less than that. Who knows, a year from now they could be lower than FPL. He does not think that is going to happen, but he thinks they are going to be very close.

Commissioner Alexander asked how can he explain that to the public?

Mr. Summerhays said if it is cheaper, they won't care.

Mr. Thiess said that is the yardstick they usually compare it against is FPL. So if they are close to FPL...

Chairman Cully said if the weather stays cool and everybody wears sweaters instead of turning on the heat, at least their bills will come down for a while. Hopefully by the time it starts getting warm again, they may have this under control. They will be able to see lesser PCA here so they don't have to worry about that.

Mr. Summerhays said the surcharge will drop off. With any luck they will be able to lower the PCA.

Mr. Thiess said they are going to lower the PCA as soon as they possibly can. That is their #1 goal.

Mayor Benton said he thinks what is going to educate the country is it appears things are going toward a cold winter. He knows at the Mayor's Conference back in June that was the biggest concern because of the Cap & Trade and all those things. Up north, the majority of the power is coming from coal, over 50%. At least in Florida it can be hot and they can be uncomfortable. Up North they have almost a depression going on. They have a choice - are they going to feed their family or are they going to heat their home? Instead of it just being a local issue, he thinks they are going to see so much of it on the news this winter. He thinks the rest of the world is going to understand it is not just a local thing. This is something that is not only in the United States, but throughout the world. Somehow they have to get a grip on it. There is a lot of information out there about what could be coming down the pike. That is why

he thought it was important that Mr. Thiess bring that up. If Congress and the Senate put these guidelines in and say they have to go green before they have the ability to go green, it is going to cost. The wealthy people can afford it, the working people can't. The next few years is going to be most interesting because of that. It has already started.

Mr. Thiess said that is all he has, that sums it up. If they want to talk about it at length, he would be glad to sit with them and bring some other information.

Commissioner Sessions said he doesn't know if everybody had an opportunity to see it, but the Florida Power & Light article with regards to their drop, as far as the month of January is concerned, a 1.4% drop. He doesn't know how they are going to continue to justify a rate increase in light of now the cost of natural gas dropping. He understands their argument regarding the PCA. But by the same token, now that the cost of natural gas is dropping, it is just a mindset of the individuals out there that the utility rates should be dropping.

Mr. Thiess said it should be. Obviously FPL is not in an adverse hedge position. A couple of weeks ago they had an article saying their hedges were keeping them from dropping it, but he guesses they re-evaluated it. They are also looking ahead for the projection for Fiscal Year 2009 on how much they are going to have to pay for fuel. That all goes into the - 1.4%. But FPL can't drop it just because FPL dropped it, or they will start losing money in buckets. They have to do it based on their business experience and what is happening with their revenues.

Commissioner Alexander said but they need to respond to what they say, because they are saying they were given an increase and they are not going to take that increase, they are going to give them a reduction.

Chairman Cully said that is true. But also if they read the very end of the article, it says that in 2009 they will be doing another increase. What they did is just throw that out there to make people feel better and 1.4% sounds better right now. It didn't help their people, but it helped everybody else's.

Commissioner Alexander said he knows, it is FPL customers feeling better, not FPL's. So why can't they respond to that without being political? What can he say to a person when they ask him about that?

Mr. Thiess said they are probably more than likely going to be asked that question by the press. They will just respond honestly that FPL's hedge position has them in a situation where they can't take advantage of the low gas prices until the hedges run out.

Mayor Benton said 90% of the public has no clue what hedging means.

Mr. Thiess said they would have to spell it out in laymen's

terms.

Mr. Drummond said Mr. Thiess indicated that if they continue to over-collect over the next few months, they will be looking at a reduction in theirs as well. So they may be in January saying the same thing. It may be 1.25% decrease, hopefully it is more than that. He doesn't think they killed the opportunity for them to reduce that.

Chairman Cully said maybe they can get it in the paper.

Commissioner Becht asked are they talking apples to apples? What is FPL reducing? Are they reducing their power cost adjustment?

Mr. Thiess said their fuel adjustment charge.

Commissioner Becht said so FPL lowers their fuel adjustment charge 1%. And FPUA has the prospect of lowering, not the rate, but the power cost adjustment being adjusted in three months?

Mr. Summerhays said FPL didn't lower their entire bill. They just lowered their fuel adjustment charge.

Mr. Perona said the thing is, by using the percentage on power cost, it is a perceived value. Other than the people sitting in this room, he would say there is a very small section of the community that actually understands what that is. But it sounds good. He thinks it is a perceived value of a PR stunt.

Mr. Summerhays said it is probably only \$.50.

Mayor Benton said FPL has a very diverse group of power plants that they can be pulling their power from. In the winter when things are slow, they can pull more power from nuclear, which they made an investment some 30 years ago, and they could be paying less for natural gas. When it comes summertime, they have to put everything into play, so it is real convenient for them. That is what happens when they are the big guy that is privately-owned and they are pushing around the little guys, which FPUA is. The only time they can say they are thrilled about this is after the hurricanes when the power is back on in a week versus a month.

Commissioner Alexander said they can understand what the public feels when it is versus the City of Fort Pierce and the Fort Pierce Utilities Authority. He can understand exactly how they feel. They are the little guy.

Mayor Benton said they are just the leaders of the little guys, that is all. The people call him too. He is the Mayor of the whole City and he has to explain to people, not just in one end of town, but all over town. Because sometimes the bigger the house, the higher the bill. A lot of times people with money are the hardest ones to get it out of. So they complain pretty loud too.

City Attorney Schwerer said it sounds to him like they need to

get a good old-fashioned Ross Perot infomercial together and use the resource they have downstairs which is the power of free TV. They have it down there and it is underutilized. They see the same shows playing over and over again. They need to go on TV with that in a format that explains it to the public and let that thing run repeatedly for the next month.

Commissioner Alexander said don't be hesitant about what they say, because when they hesitate people will think they are trying to think of something else to say.

City Manager Recor said they could set that up to have Mr. DeWitt do that programming for them if they are interested in doing something like that.

Commissioner Becht said their Public Information Officer just informed him that the power cost adjustment for FPL is going down 1.4%, but they are adding a nuke charge.

Ms. Levette Dixon, FPUA Communications Manager, said that nuclear charge is not mentioned in the newspaper article.

Commissioner Becht said FPL is lowering it with one hand and raising it with the other hand.

Mr. Perona said it is a perceived value. FPL is out there making it feel good to the community.

Commissioner Becht said maybe in three months they will be able to see FPUA make an adjustment to their power cost adjustment that is meaningful, not 1.9%, but meaningful.

Commissioner Alexander said but educate people. Because when they come and ask him the questions, he directs them to the FPUA.

Mr. Summerhays said that is what they are here for.

Mayor Benton said if they were to eliminate the FPUA Board, the public would be looking for the Commissioners and the Mayor to answer those questions. He was in office for eight years before he had the opportunity to sit on the FPUA Board, so he didn't know everything they did and he didn't understand a lot of their work. These folks have gone to the meetings, gone to the conferences, and they are understanding this information, which is a lot to digest. They have taken a lot of time out of their schedule. But they are the ones who have been taking the heat for the Commissioners, because they can say call Mr. Perona or call Ms. Cully, because they have a little bit more insight. It is a great team.

The next item on the Agenda was Discussion of the City of Fort Pierce and the Fort Pierce Utilities Authority working together toward common goals.

Commissioner Sessions asked as far as the general public is concerned, why aren't they a little more sympathetic toward that individual who is suffering? Florida Power & Light, they give

contributions. They do it by way of Mustard Seed and the Salvation Army, where those people do the legwork. Mayor Benton said so does the FPUA.

Chairman Cully said he is talking about money.

Commissioner Sessions said he is talking about a contribution from the Utilities Authority itself. Why don't they form something with these organizations so they can help assist individuals?

Mr. Drummond said they do that. FPUA has their Project Care where they allow individuals to round off and then they will give those dollars. They also work with Mustard Seed and others in terms of electric assistance and that sort of thing. FPUA does those sorts of things. Again, he doesn't know if the FPUA has the responsibility to actually take dollars that are already too high on someone's electric bill and decide how they are going to be giving those dollars to others. Individually he will do that and he doesn't have a problem with it.

Commissioner Sessions said he can understand that. If he was sitting across the table talking to private corporate America, he could understand what he is saying. But FPUA is owned by the citizens.

Mr. Drummond said if they had discretionary dollars to do that, he would wholeheartedly agree. But shareholders, those individuals who are seeing the benefit or the profit that they make above and beyond their expenses, it is given back to them in the form of the FPUA transfer to the City. So those are the dollars that are discretionary for those sorts of things. What the City asks of the U.A. is to make sure they do it as economically and as efficiently as they can. But they don't hoard those dollars away. They don't hold anything in reserve above and beyond what is fiscally prudent. All those additional dollars come back to the City Commission. So FPUA does not have that kind of discretionary ability that a private company would have with their own profits.

Chairman Cully said that is true.

Mr. Perona said just cut out that transfer and they will be all over it.

Mr. Thiess said each customer that wants to do that has the ability to round off or give \$20 or \$50 or whatever they want towards Project Care and it is automatic. It is added to their bill and goes right to Mustard Seed. But they let each customer make their own decision of how much they want to donate to pay other people's power bills, as opposed to what Commissioner Sessions is saying to make customers pay for other people's power bills - take it from this person and give it to that person. They leave it up to the individual to put it on their bill. If he wants to donate \$10 per month on his power bill to Project Care...

Commissioner Alexander asked is he educating the public with

that?

Mr. Thiess said they send that out all the time.

Commissioner Alexander said they have this TV station. How long does that station stay open?

Mr. Thiess said 24 hours a day.

Commissioner Alexander said the people as he is coming out of the restroom say they saw him on TV. So why can't they see Mr. Thiess on TV?

Mr. Thiess said they are working on some things to get on FPTV.

Commissioner Alexander said they have been working on this item here for quite a while. He didn't know they have TV? He is not trying to get flustered with him. They are trying to work together and trying to make suggestions. But why don't people see Bill Thiess on TV?

Mr. Perona said exactly what Commissioner Sessions brought up is probably the biggest problem they have between the FPUA Board and the City Commission, is that understanding. Mr. Drummond here said it exactly the way he thinks most of them have adopted. The City Commissioners put them on this Utilities Authority Board. It is like a Singer sewing machine, a perfectly run little company, because it is an asset of the City. Their biggest responsibility is reliability and quality and maintenance and economy and all that stuff. As far as the citizens who can't afford it, even if they personally feel there is something they should do, basically their charge does not encompass that, it really doesn't. Any opportunity they have to be able to do it through Project Care or through personal involvement or through their own Civic Clubs or whatever they can do, he is all over it. But the Board's biggest responsibility is the reliability, the quality, to make sure the transfer happens, that when people turn on that switch they get electricity, and all these other things that happen. That is a big responsibility. They spend an enormous amount of time doing that. What the Commissioner is asking of them, first of all that really isn't their charge. And he feels bad every time he thinks of that. They have a right to ask him that, but he has no answer for them other than they are doing what they can. There should be another charge for that. But basically he doesn't see it is his responsibility to take from people who can afford their utility bill and say they are going to charge them an extra \$5 and give it to that other guy because he can't afford it, because they are going to fight him for that \$5. Basically that is how he feels every time he goes out there and thinks about this. There is no bucket for them to pull out of for that. They are going through the economics and the weatherization programs, anything they can do to help people save the money. But as far as immediate, to be able to pull dollars out of their pocket or give free utilities to anybody else, how can they do that and not cheat the others? He would love recommendations from the City Commission on how they can do that. He has heard Commissioner Sessions, he has heard

Commissioner Coke, he has heard Commissioner Alexander all say that. And it is true, these are things they should be talking about. But he is telling them, he may not be the sharpest tool in the shed, but he can't figure a way to do it with the charge they have given him to be on this Utilities Authority Board. That is probably the biggest frustration he has.

Commissioner Becht said the biggest frustration he has is that somebody before them, he thinks with great wisdom, tried to depoliticize the FPUA and create it as a semi-autonomous group so it is somewhat apolitical. And the City Commission has gone to the FPUA with the weatherization programs and other programs and said as a business - because they want them to operate as a business - they want FPUA to sell less of their product. That is the message the City Commissioners are sending the business. There is no other business in the world that is operated as a business that they would tell them they want them to sell less of their product. He wants Commissioner Sessions so sell fewer hours of his time. He wants Commissioner Alexander to have fewer funerals. That is what they have told their own business here, is they want them to sell fewer kilowatts and everything else.

Mr. Summerhays said the water restrictions nearly killed them.

Commissioner Becht said he would be schizophrenic if he was on the FPUA Board. How are they supposed to run the U.A. as a business, which means selling more, and at the same time this message they have given them which is conservation? But he thinks the message of conservation worked, because they are selling less water.

Mr. Thiess said a lot less.

Mayor Benton said this is the type of dialogue he hopes they can continue to have. He thanks everyone for coming and just throwing everything out on the table.

There being no further business, Mayor Benton declared the meeting adjourned at 4:00 p.m.

Adjournment.

ATTEST:

CITY CLERK

MAYOR COMMISSIONER